

# **REFORMING COMMUNAL SERVICE IN THE REGIONAL DEVELOPMENT CONTEXT**

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## **1. Introduction**

The optimizing ways in reforming and developing national communal service complex matter much for effective social-economic policy in Ukraine. National progress is possible only on the basis of the systematically reformed communal sphere and its proficiency through identifying the problems of the reforms and their legal grounds. It is also necessary to consider the combination of the social and economic aspects in the process of communal service functioning as the mainstream of the scientific quest. Communal service complex reform suggests perfect instruments for social problems solutions in connection with modern public maintenance which proves chiefly as market-aimed.

Peculiar development of the communal service sphere is described in numerous works by native and foreign authors: I. Alfyorova, G. Galbrait, V. Honcharov, V. Dorofiyenko, V. Lobas, I. Osypenko, O. Rummyantzeva. However, the investigation is primarily actualized through the lack of the programs and measures for the communal service reforming being perfectly worked out.

The aim of the article is to investigate the process of correcting the course of communal service reforming.

## **2. Reforming communal service in the regional development context**

Modern social-economic development is seriously affected by the dangerous discrepancy between two mutually connected social-economic facets: the integral development of the existing social-economic relations system and the differentiation in the process of scientific reflection of some aspects of the system. On the one hand, the communal service sphere is inclined to interact integrally with other spheres of modern social-economic system, and its reforming is impossible beyond the system. On the other hand, the communal sphere scientific reflection is still represented by the poorly linked entity of notions and concepts. The former “communal service” term being generated under the administrative system turned into the unity of unrelated notions; the new concept concerning the communal sphere as an organic element of modern social economy is still to be created. The incomplete interpretation of the scientific theory paradigm is presented within the classical cognition theory problem on the relation of mentality and existence. Since scientifically mentality is related to existence through investigating it, i.e. depicting the reforming sphere problem in the terms of scientific categories, the adequate content of the relation “mentality-existence” is actually the relation of the investigation method towards its object.

To generalize the above mentioned statements, one can conclude that the science paradigm could be determined by investigating its method related to its object. Correspondingly, the economy science paradigm is determined through investigating its concrete method to its concrete object (relations, management mechanisms, reforming strategies etc). The investigation is aimed at the paradigm’s practical aspect.

For defining the main financial-investment resources of communal service reforming, we have to state its transforming strategy as inertial localization strategy and to distinguish the instruments for its accomplishment.

A. Quitting state investing processes in the social economy sphere started since early 1990s and lasting through recent 15 years.

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- B. Re-laying the burden of financial-investment reforms on the private consumers in the communal service sphere.
- C. Putting forward the state programs for communal service complex reforming.
- D. Asymmetric financial-investment participation in the reforming of the local joint communities owning the greater part of the infrastructure and concentrating in the vicinity the majority of the service institutions, though not possessing the adequate resources.
- E. Dividing the communal services market on the basis of distinguishing in it the basic and the additional segments within the formation of different branches of state policy. Finally, the institutional reference of the national communal sphere to the type of the institutional X-matrix was determined.

The generalized results of analyzing the resources, strategies, instruments, institutional parameters in the communal service reforming will enable stating the present paradigm of the actual process as the liberal-privatization one.

The main features of the liberal-privatization paradigm are:

- consistent liberalization and eventual refusal from the state social economy system as well as from the communal services system;
- privatization that had removed from the sphere of the private property related to the factors and results of production into the sphere of life maintenance relations: it turns various aspects of the human life into the private personal affair.

Regarding the above mentioned chief features of the communal reforming paradigm one should not overestimate the legacy left by the former administrative economy management. The administrative principle of vertical branch management as well as the state monopoly in the communal apartment service had ruined the service mechanism in the population maintenance that was divided into separate elements under the branch principle. All that resulted in turning the communal complex into the additional infrastructure without service. Estimating the national economic processes of liberalization and refusal from the social economy policy one should regard modern concepts of the state role and functioning under the growth and post-industrial development of the social-economic system.

The long-lasting crisis of the 1990s proves to be deeply rooted in the inert submission of the Ukrainian national social economy to the earlier created values, institutions and mechanisms of the industrial society as well as in ignoring the global tendency of the post-industrial society development that was cultivated in the Soviet epoch. Since we mean the society that is just quitting the administrative system, both reasons for the crisis are directly related to the state functioning under the period of transformation as well as to the state social-economic policy and its cardinal purposes. While the economy liberalization in the leading countries of the world was aimed at the post-industrial transformation of economic relations, i.e. at the content aspect of the timely transformations, the national economy liberalization in Ukraine proved to be aimed at the market liberalization of economic relations, it means at the formal aspect of the transformation process. In both cases there were employed completely opposing means of form and content interaction in the course of social-economic systems transformation. In the former case the liberal form affected the development of entirely new economic relations, and in the latter it became a pretty declarative one, that had not at all favored any content transformation of the previous industrial technological basis together with the human factor, the management priorities etc. that are connected with that basis [1, p.37]. Correspondingly, in the former case post-industrial transformation with human resources as the leading factor had resulted in the enhanced social-economic development beyond which it is impossible to ensure the expanded capital revenues [2, p.113].

In the latter case quite opposite took place: the state originally initiated its refusal from the social economy system, leaving the economy without any investments and legal industrial basis, and later, having evaluated the critical range of the resulting social expenses and economic risks, the state attempted to form a new compensation mechanism based on the principle of developing the official

power hierarchy. Meanwhile the state willingly re-lays its accumulated investment social debts on the private investors, and its accomplished social projects are not aimed at forming and accumulating human resources, at enhancing the sphere of hi-tech services.

That actually is a principal difference between the content and the formal liberalization of the social economy entity. Still formal liberalization is quite often supported by the economy scholars in Ukraine. The stressed post-industrial national economy orientation through developing people's intellectual potential is not really possible, as the real basis for the post-industrial development is a wide spread of developed industrialization and raise of living standards, that appears to be the reason for changes in modern human advantages and values [3, p.71]. Similar estimation is attributed to the privatization in Ukraine. Its formal orientation at transforming legal privacy from the state to the private persons and organizations resulted in 3 mutually connected negative consequences:

- general instability of legal privacy that is reflected in their incessant spontaneous division, which is not connected with the needs of the development of social reproductive process;
- formal status and most private owners' economic behavior oriented at confiscating the status income which generally corresponds to the rental strategic purposes of national economy development;
- privatization's transposition from the relations of the private property for the production factors and consequences to the life maintenance relations, that affects the transformation of various social aspects of human life into the person's personal affair; correspondingly, this transposition brings human resources reconstruction to the level of home economy problems.

Approaches to reforming and developing social economy must be rooted in the nature and needs of the capital revenue, functioning here [4, p.100; 5, p.45-51]. The process of communal services reforming needs changes in the present liberal-privatization paradigm, since this paradigm is affecting the negative sequences:

- important gaps formation in the process of public capital resources reproduction;
- creating "institutional traps" where reforming resources are therefore lost;
- eventual loss of agreement as far as the main subjects' interests are concerned.

Summarizing the above mentioned statements enables to formulate 2 conclusions.

Firstly, main features of the liberal-privatization paradigm of reforming communal services sphere as a part of modern national social policy prove this paradigm to be entirely non-proficient.

Secondly, the communal sphere reforming process needs change of the actual paradigm and grounds for the new one, which should be adequate both for the social economy nature and the needs of post-industrial development.

Modern Ukrainian politicians are constantly using the imperatives of the kind:

- the necessity of profound correction of the state social policy program;
- social-economic system development is aimed at innovations, investments, infrastructure and institutions.

The obtained results enable to make conclusion as to the new communal sphere reforming paradigm, which, being grounded, generates from the following reasons:

- definition the real needs for reproduction of the present capital in social usage;
- definition the domineering evolution process tendencies in the sphere.

Regarding the reasons mentioned as well as generalizing the results of analyzing the reforming process enables to outline the new paradigm of the communal sphere reforming as the social-integration one. On the one hand, it is aimed at broad reproduction of the capital in social usage functioning in it and belonging to its infrastructure. On the other hand, the new paradigm must

overcome the sequences of disintegration and removing the communal sphere as far as the periphery of the national social-economic system: the life maintenance services providing for the people's vital needs can't really be positioned at the evolution process edge.

To specify the above mentioned statements, define the dominating principles for the social-integration paradigm of communal service reforming that come as follows:

A. Innovation type of reproduction of the capital in social usage in the communal services sphere that provides for solution of the strategic issues:

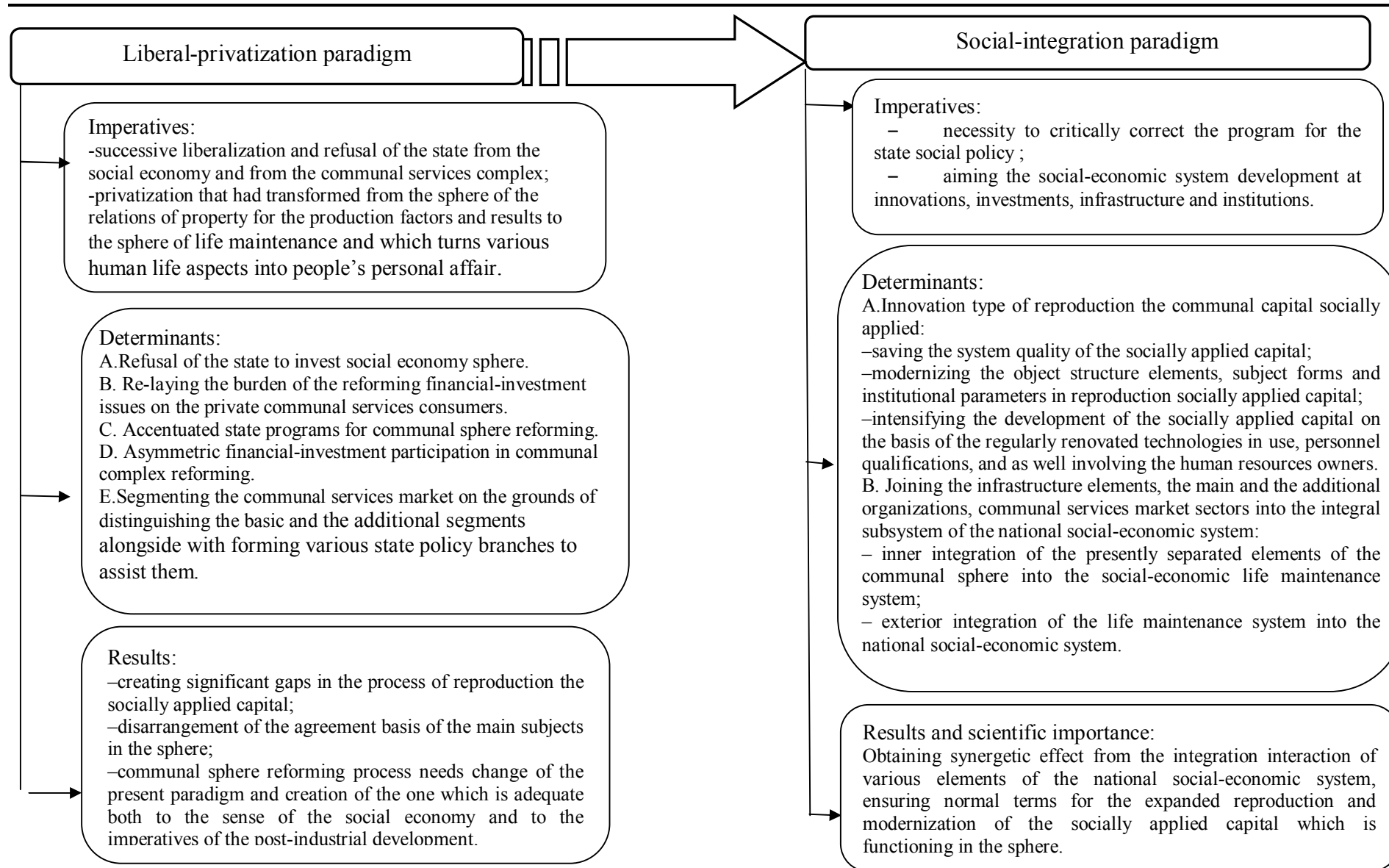
- saving the characteristic qualities of the capital in social usage in communal sphere; the elements of this capital as a result of the lasting crisis actually were left out of the systematic connection and turned into independent, physically out-fashioned and morally obsolete elements of the infrastructure, without mechanisms for reproduction;
- modernizing the elements of the object structure, subject forms and institutional parameters for reproduction this capital; the elements are ranged and in the first place there are adequate institution parameters for reproduction since great capital investments and specific forming and dividing the income in the infrastructural sector of the communal service sphere eventually make this sector closed for common private investments and leave room for the limited number of investors, like the state, local social structures, commercial organizations, included into the special investment programs for communal sphere development;
- intensifying development of the capital in social usage based on the regular renovation of the used technologies, the personnel quality, as well as the participation of the human resources owners [6, p.22].

This purpose suggests that the total income which was formed in the communal sphere infrastructure will be directed to the intensified development of the element basis in the sector. Meanwhile the priority is certainly laid on involving the human resources into the communal sphere, technically crimped, and the one that had lost its creative potential. Modern national economy makes it impossible to undertake serious post-industrial development reforms without any state support. The state could really affect the formation of the post-industrial development factors, since science and education, informative and hi-tech progress need long-lasting and risky investments. Paternal approach is also needed for the social institutions, which ensure their creation.

B. Joining the infrastructure elements, the main and the additional organizations, communal services market sectors into the integral subsystem of the national social-economic system with the necessary self-development potential. This determining feature of the new communal reforming paradigm suggests solution of the following strategic tasks:

- inner integration of the presently separated elements of the communal sphere into the social-economic life maintenance system; solving this issue suggests adding the structural elements of the communal sphere to the integral communal complex, that means the priority development of the connections between the present infrastructural and servicing functional organizations and the newly formed ones: marketing, financial-investment, consulting and other;
- exterior integration of the life maintenance system into the national social-economic system. This task suggests working out and accomplishing the programs for communal sphere modernization due to technologically developed industrial branches, science and education. Outer integration is as well aimed at obtaining synergetic effect from the integration interaction of various elements of the national social-economic system and at overcoming the peripheral position of the communal complex in this system. Scientific importance of the substantiated social-integration paradigm is in that it can become a basis for the necessary corrections as to the modern communal system reforming process and can also be applied in modernizing state social-economic policy.

Fig. 1 shows imperatives and determinants of the liberal-privatization and social-integration paradigms.



**Fig. 1. Change the imperatives of the liberal-privatization paradigm for those of the social-integration one**

### **3. Conclusions**

Summarizing the results of analyzing the resources, strategies, instruments, institutional parameters of the communal reforming process enables to evaluate the present reforming process paradigm as a liberal-privatization one. Its main features are successive liberalization and refusal of the state from the social economy policy and from the communal services complex; privatization which has transformed from the sphere of the relations of property for production factors and results into the sphere of relations of life maintenance turning the various human life aspects into the person's private affair.

Communal services reforming process needs change of the present paradigm since the latter affects a number of negative consequences.

Considering the terms for substantiating a new paradigm for communal sphere reforming (singling out the real needs for reproduction the socially applied capital as well as domineering tendencies of the evolution process in the sphere), and also generalizing the results of analysis in the reforming process enables to distinguish the new communal reforming paradigm as a social-integration one. Its application suggests expanded reproduction of the socially applied capital functioning in the sphere and accumulated in its infrastructure and as well the ways to overcome the disintegration consequences that had resulted in removal the communal sphere to the periphery of the national social-economic system.

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### **Summary**

The research regards the strategy of reforming communal service complex in the terms of inertial localization strategy and determines the means of its accomplishment. Implicit reasons for the lasting system crisis of the 1990s are distinguished. The consequences of the national privatization are investigated. The article determines the grounds for creating the entirely new paradigm in the communal service complex reforming. The determining factors of the social-integration paradigm of the reform are also singled out.

**Key words:** communal service complex reforming strategy; communal service reforming paradigm.

**UD classification:** 377.125