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*PhD (State Management),**M. Ptukha Institute of Demography and Social Studies**National academy of Science of Ukraine, Kyiv***SOCIAL RISKS OF THE COAL INDUSTRY RESTRUCTURING IN UKRAINE**

**Formulation of the problem in general and its relationship with important scientific and practical tasks.** Ukraine is one of the twelve countries in the world which has the largest volume of coal mining. But the level and the dynamics of techno-economic performances of coal mining are not satisfied. At present coal industry in Ukraine is experiencing very difficult times. The main reason is a significant technology gap and exacerbating problems associated with the necessity of introducing radical institutional reforms. Economic crisis in the regions are caused by the insufficient resources – population saves stabilization strategies only in case of the preservation of its basic needs, in other words, quality of life remains at an acceptable level. Fall of living standards results in human potential reduction and the social risks growth.

The coal industry reform program was adopted in 2010, as a component of the general Program of economic reforms [1]. Unlike the previous sectoral programs and concepts-declarations, it has a precise goal – to overcome losses and involve the use of drastic measures.

Restructuring processes that accompany the development of most sectors of the domestic economy may lead to some imbalance of economic performances of individual areas, especially monoprofile for which this or that sector is vital. Socio-economic problems of the residents of some communities, the development of which is completely dependent on one or two industries located in their territories, today are acute enough, and therefore they require special attention of public institutions, scholars and experts.

**The aim of the paper** is the identification and analysis of major social risks of the coal industry restructuring.

**Analysis of recent research and publications.** Scientists who research the problem of risks follow dichotomy. According to it they distinguish two types of risk – technological and sociogenic. The latter is understood as the result of the emergence of uncertainty in the society due to the loss of public control over social and societal changes. They include social conflicts, types of deviation (especially delinkventsiya), some forms of the social tension. The ways of looking at the nature, specificity and types of the social risk also have many differences [2, p. 23].

Theoretical and practical problems of the social risks of coal industry functioning have been thoroughly discussed in the works of leading scientists of the Institute of Industrial Economics of the National Academy of

Sciences of Ukraine and the previous academic thematic hearings. Thus, the authors of the monograph “Sustainable industrial development of the region: social aspects” claim that the risks of sustainable development of industrial regions of Ukraine are formed primarily in three major subsystems – social, economic and environmental. The social subsystem in the risk assessment includes performances related to the loss of opportunities of the social development. The first is the risk of health loss and life expectancy which result in living potential decrease [3, p. 63].

Scientific interest of researchers to the theme of risk is shown in their attempts to develop an integrative sociological theory of risk, and establishment of quantitative and qualitative methods of its assessment [4, p.12].

Causes and risk factors often have social nature: the risk of unemployment, loss of efficiency due to the accident, illness, lower social status, etc. They are caused by the social environment and do not depend or depend a little on the will and capabilities of large populations. Social risk – is an event in human life recognized by the community, which leads, on the one hand, to the loss of ability to work or limitation for the labor demand, lower living standards, total or partial loss of earnings, and on the other hand – to the loss of its social component: social disorientation, reduced self-rating, self-awareness of their own social failure, reduced adaptation to the social environment.

The theoretical basis and a wide range of issues about the problem of the social risk are shown in the works of local and foreign scientists in ryzkolohiya, social policy, social security, social protection of population, employment potential etc. They are: A. Amosha, D. Bogynia, V. Vitlinskiy, O. Vlasyuk, V. Heyts, E. Libanova, O. Martyakova, A. Novikova, O. Pankova, S. Pyrozhekov, Y. Saienko, M. Fachevskiy, M. Chumachenko.

Based on the analysis of the scientific researches we can say that the social risk can be presented in the following coordinates: quality of life, demographic risks, professional risks, social security, unemployment risks, environmental risks, deviant behavior.

**The main material.**

The success of the restructuring according to the developments of the International Energy Agency which researches the coal industry depends on several conditions:

– the creation of long-term strategic restructuring program, the development and adoption of which, firstly,

involves all stakeholders – state leaders, trade unions, local communities, employers, management structure which is responsible for coordination of the restructuring and also includes representatives of all stakeholders;

- the restructuring program meets mobilized (present and involved) resources to implement restructuring;

- strict state's control over the use of resources for restructuring. If this condition is not fulfilled, the manager Finance is changed (Belgian experience). Special agencies can be created to involve investment resources (United Kingdom);

- restructuring involves some necessary measures of economic recovery of mining regions, providing employment.

Coal branches around the world have a wide variety of scales, environmental conditions, organizational structures, farming. But there are some general tendencies: the development of profitable and unprofitable coal collapse, denationalization (corporatization, privatization) of coal mines, the concentration of capital, the internationalization of coal production and formation foreign sectors, integration of producers and consumers of coal.

The situation concerning the prospects of mining in different countries is ambiguous, and there is not any general doctrine on transformation processes in the mining industry – each country produces its own “coal policy”. It depends on many factors: geological reserves, conditions, profitability development of coal deposits, place and role of coal in the fuel and energy balance, environmental limitations, the degree of integration of the economy into regional and global structures, etc. [5, p. 6].

The program “Ukrainian Coal” was adopted in 2001 [6]. Its fulfilment was expected for the period 2001 – 2010. The main measures include: denationalization of the coal industry, acceleration of the incorporation of mines, identifying attractive investment objects and their privatization. However, the program included measures for the completion of mine closure. The criteria for selecting mines to close, have been changed according to the experience of restructuring. It was expected to close both the mines, which did not have any industrial coal reserves and uncompetitive ones since 2001. Parameters according to which they selected the mines to close were the following: the lack of industrial coal reserves or their limitation (no more than 3 – 4 years); high cost of coal; low technical and economic parameters; complicated mining and geological conditions of production.

The state budget of Ukraine for 2013 includes expenses of the Ministry of Energy and Coal Industry in the amount of 9 billion 911 million 299.1 thousand hryvnias. From this amount of money 9 billion 728 million 474 thousand hryvnias were planned to invest into the coal industry. This money will support the coal mines and it will also be oriented at partial coverage for the cost of finished marketable coal production – 7 billion 801 million 847.8 thousand hryvnias; restructuring of coal and peat industries – 1 billion 50 million 980.1 thousand

hryvnias; for state support of building coal mining enterprises, technical re-equipment of these enterprises – 364 million 293.8 thousand hryvnias. Intention of the government to “support on the surface” all applicable state mines results in dispersion and inefficient use of public funds. The management of some mines deliberately overstates the expected planned results and buys unnecessary expensive equipment in order to get public funds. As a result, the loss performances are increasing. It needs some improvement grants, in other words providing budgetary financing generates the need to increase budgetary subsidies. The current system of state financial support for coal mines, the amount of which is determined annually, blocks incentives for improvements in the public sector, provokes dependency attitudes among the managers and workers of the enterprises of the sector.

Despite the very significant budgetary expenses, most enterprises are nearly unable to maintain and develop the social infrastructure. The widespread failure of legal rules of social legislation and sectoral agreements is not accompanied by the need of responsibility, and therefore illegal behavior becomes the norm for managers and workers of the mining industry. According to the collective agreement in the coal industry for nearly 40% of workers, the minimum wage at a level below the legally established government guarantee was established. None of the coal enterprise of Ukraine carries out the provisions of the General and sectoral agreements about the timely introduction of wage rates and salaries, calculated in accordance with legally established minimum wage [7, p. 24, 61].

The restructuring process has significantly influenced the nature of production and social relationships both in business and in the regions. The analysis of the dynamics of demographics performances, particularly coal mining regions, suggests that changes in the social environment during market reforms have significantly affected the entire system of social relations, structure, human resources and resulted in a general deterioration of their quality indicators. So-called “coal settlements”, because of their specific location, are usually monoprofile, and as you know, for such systems social risks are most acute and pressing [2, p. 47].

There is no legal definition of social risks in Ukraine, but according to the Law of Ukraine “On Social Services” social risks are difficult life circumstances, which objectively violate the normal functioning of a person, the consequences of which can not be overcome by the person. Thus, generally, social risks have social nature. In most cases it is impossible to defend against them individually, since they practically do not depend on the actions of the individual. Any manufacturing process is impossible without the human factor. In the coal mining industry the human factor plays a role of a productive resource because social and economic components of the production sector in relation to each other – are ways to achieve goals, but not goals. This is what causes the mutual desire to minimize costs.

In this context, the study of the social risks, in our opinion, should include, at first, the study of the nature of the interaction between man and society. New social problems which are result of the coal industry restructuring in many respects arise as a result of insufficiently considered actions of state institutions. For example, we can accept the measures which are envisaged by the Resolution of Cabinet of Ministers of Ukraine in September 19 2012. № 728-p “On Approving the plan corporatization of state coal mines by 2014”. They are:

- corporatization of public sector coal mines (2013 – 2014);
- introduction of a new system of government support (2014);
- coal market liberalization (2014 – 2015);
- completion of restructuring (2025);
- completion of privatization, the transfer of state coal mines to the concession and lease (2025);
- stopping of subsidies to mining enterprises (state support for partial coverage of coal costs – 2028);
- stopping of all forms of subsidization of operating coal mines (2030).

At the same time, there are many issues in connection with the proposed rate reduction of subsidies mine operating costs (by 80% by 2014 and complete stopping by 2016). Even in case of full Programme financing (it is difficult to implement in case of the budget deficit), the factor of individual social risks growth, which means that acceleration of social development results in loss of the stabilizing role of the stereotypes of thinking, is not taken into consideration. Therefore, in case when a person can not adequately evaluate the situation with the help of existing stereotypes of thinking, it must find some innovative answers to this challenge but not rely on the social experience. The results of the search are not always in the legal field or meet the moral foundations of the social structure (a significant increase in crime, youth drug addiction eloquently shows the following trends).

Coal industry reforming significantly exacerbates the social risks which are associated with the threats of unemployment – reaching breakeven performance of the industry requires not only decommissioning of unprofitable mines, but also a substantial increase of labor productivity, and hence a significant reduction of staff at the operational mines. Thus, from 2005 to 2012, 65.3 thousand of industrial personnel of coal mining industry were reduced. Updating the risk of unemployment leads to poverty, which today is perhaps the greatest threat to human development [8; 9].

In its turn, poverty generates a low self-identity of a man in a society. F. Fukuyama defines human nature as a factor that gives us a sense of morality, providing social skills necessary for life in society and serves as a basis for sophisticated philosophical discussions about the law, justice and morality. We want to protect our entire collection of complex, advanced natures against attempts of self-modification and do not want to violate the integrity of human nature. The author says that the

warranty of human preservation is preservation of self-esteem. It is the base of the political institutions that will be able to prevent the degradation of the individual. [10, p. 217]. J. Habermas developed this thesis in his report “The concept of human dignity and the realistic utopia of human rights”. He said that the concept of human dignity becomes particularly important today because it is a source of moral ethics of equality, human rights and identity [11, p. 32].

The problem of poverty has been thoroughly investigated in the writings of leading domestic and foreign scholars. So, according to the purpose of this paper it is necessary to focus on the less explored aspect of this problem – cultural anthropology of individual risks. The existence of man is nothing but a biological and social processes to adapt to a certain environment in which his/her consciousness and behavior are determined by the basic social values and norms. If the resource base, according to which some behavioral strategies were produced, is beginning to change, the human cultural system does not undergo much change for a long time, it keeps influencing his/her behavior [12]. That is, after the loss of a job for a person a loss of social status is more important than amount and duration of compensation payments.

Integration of of poverty and monoprotile factors of coal settlements causes updating of one of the most dangerous social risks – the risk of transmission of social problems from one generation to another. Thus, the possibility of poor families to provide competitive education to children is limited. As a result, the next generation will not have the necessary level of knowledge and skills that will allow it to fully compete in the labor market. So children will have the same status of poverty as their parents. Such risks inheritance from generation to generation can significantly enhance social problems not only of separate groups of people, but also regions, turning them into depression.

Effective state regulation must become the warrantor of risk prevention for sustainable development of the regions of Ukraine. The main purpose of government intervention is the introduction of measures to control and stimulate business industry with national interests in the social sphere, to minimize social risks.

#### **Conclusions and recommendations for further research.**

Ukraine has significant coal reserves and has the advanced technology of its production, but the problem is that there is the lack of investment resources for deep modernization of coal mines.

To solve the problem of the coal industry restructuring and consider some issues of organizational and economic nature it is necessary to produce flexible mechanisms and tools to minimize the social risks. As the analysis shows, the implementation of strategic priorities for restructuring is often solved closing unprofitable mines without regard to economic activity in the mining region and the social needs of their residents. Therefore, at the

stage of the reform of the coal industry, the most relevant task is labor market optimization in coal mining regions, in particular the need to preserve and create jobs, during the diversification of the industry.

Introduction of the restructuring mechanisms of social and economic development of the territory are very important to solve the problem of the monoprofile settlements. It should be done not only through economic diversification, development of new areas and sectors, including high-tech knowledge-intensive industries, creation of technological parks, but also by introducing mechanisms of mental reorientation of the population at the need to change occupation.

Analysis of individual risks in the system of social risks is one of the stages of the risk management process, which aims to study the subject area, that is the study of the structure and properties of the object and his / her inherent risks. During the analysis of the social risks, different socio-economic, demographic, ethnic and other characteristics of the groups which were chosen for investigation, should be taken into account. The development of key factors and performances that will cover multiple social issues which significantly affect the actualization of the social risks can offered as a promising area of research.

Social problems do not arise themselves. They are mainly caused by abnormalities in the functioning of various systems and institutions of the state. If we consider the social risks as a probable loss characteristics of important social values, their determination should be based on the features of disfunction of social institutions, slowing down process of social reproduction, the production processes and the transformation of the social norms, values and preconditions for the formation of the social tension.

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### **Надрага В. І. Соціальні ризики реструктуризації вугільної промисловості України**

Стаття присвячена аналізу соціальних ризиків реструктуризації підприємств вугільної галузі. Серед найбільш актуальних виділяються ризики депресивності розвитку монопрофільних поселень, безробіття, бідності, що передаються від покоління до покоління.

*Ключові слова:* соціальні ризики, вугільна галузь, реструктуризація.

### **Надрага В. И. Социальные риски реструктуризации угольной промышленности Украины**

Статья посвящена анализу социальных рисков реструктуризации предприятий угольной отрасли. Среди наиболее актуальных выделяются риски депрессивности развития монопрофильных поселений, безработица, риски межпоколенческой передачи бедности.

*Ключевые слова:* социальные риски, угольная отрасль, реструктуризация.

### **Nadraga V. I. Social Risks of the Coal Industry Restructuring in Ukraine**

The article is devoted to the analysis of social risks of restructuring of coal industry enterprises. The risks of depressed of development of monotype settlements, unemployment, poverty are exude between the most actual, that passed from a generation to the generation.

*Key words:* social risks, coal industry, restructuring.

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