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STATE REGULATION OF WAGES AND UKRAINIAN MARKET BASKET

Wage is one of the most important and most difficult economic category. It is both a major source of income of employees and a substantial share of production costs for employers, and effective means of motivating employees.

Wages are socio low in Ukraine. To improve this situation new methodological approaches to differentiation of wages among employees of various economic activities and regions are required.

Today Ukraine has the lowest wages in Europe and average daily wage reaches 5-6 dollars, in comparison with Africa the wages for low quality work are 6-7 dollars.

Artificial containment of wages has led that is now the cost of wages in Ukraine per unit of gross domestic product is almost twice lower than in countries with developed market economies.

Even though the military conflict in the East, Ukraine confidently believes that it can not effectively develop trade, until the war. As an example, Israel, where Arabs and Jews fought each other before the creation of Israel, and the conflict is still going, then fading, then expanding to full-scale war, has learned to prosper even during the war and increase the GDP.

A wage is an income which a person receives in exchange for work done. Employment income is usually the main source of income for most people. Today wage and other types of income in developed countries are 80% of national income.

The wages regulation system in Ukraine consists of four subsystems: state regulation; contract regulation; market regulation; regulation of wages at enterprises, institutions and organizations. The separation of these subsystems is motivated by the fact that they are relatively independent.

State wage regulation is a system which determines rules, procedures, norms and guarantees of payment for work based on the adoption of certain laws and regulations, and monitor their compliance with authorities.

The main purpose of government wages regulation is to create the necessary conditions for implementation of all basic functions of wage (reproduction, motivating, stimulating, regulatory and social) and containment the unwarranted wage increasing unrelated to production and sales (works, services) [5, p. 2].

It is worth to mention that there is no country in the world which can do without state regulation of wages, although the scope, scale, methods and procedures of such effects are different.

State regulation of work payment is based on the real financial situation of the country and interests of all sections of the population, as well as implementing the rules of conventions and recommendations of the International Labour Organisation,

Constitution of Ukraine, the Labour Code, in the laws of the country. First of all the state is obliged to implement the rules and guarantees for the rights of the employee for wages, the amount of which would provide him/her and his/her family adequate standard of living. This regulation is established by the the Law of Ukraine “On labor payment”. According to this law, a regulation is done by means of:

- setting minimum wages and other state standards and guarantees, conditions and wages of employees of budget sector and managers of enterprises, based on state and municipal property;
- regulation of remuneration of enterprises-monopolists employees in accordance with the list determined by the government;
- taxation of workers’ income;
- application of earned income indexation;
- compensation for the detention of payment;
- providing social guarantees to employees (pensions, scholarships, benefits for sickness and unemployment);
- finance expenditures on education, science, culture and health [1].

Payment of wages “in envelopes” was widespread in 1990th and satisfied both employers and their employees. The situation had changed in early 2000 when, instead of working life entered the insurance, i.e. pension started to accrue only from the earnings from which premiums were paid. Payment of wages “in envelopes” depriving our citizens adequate protection in the case of disability and doomed to miserable pension.

Local budgets do not receive the necessary funds that directly affects the standard of living and solving many social problems. Social funding from the budget is reduced too. Employers, entrepreneurs and employees must understand all of these. [6, p. 13]

The main issue of state regulation of remuneration is reasonable calculation and periodic review of minimum wages at national level.

In developed countries, the minimum wage acts as a living wage and protection established by one of the following methods: 1) as a percentage of the average wage (normative method); 2) depending on the average earned income for a family member (the average method). In both cases, the minimum wage is associated with the general state of the economy, production conditions that determine the income of the employed labor. The functional role of the minimum wage in Ukraine is defined in the Law of Ukraine “On labor payment”.

Minimum wage is the amount of money for a simple, unskilled labor, below which no payment may be done for a full working week, hourly labor rate.

Minimum wage in Ukraine is calculated on a monthly or hourly basis and can’t be less than poverty line for working citizens. Additional payments for overtime work, work in harmful, especially hazardous conditions, in special nature geographical conditions and with increased health risks, as well as bonuses to anniversaries, for inventions and rationalization proposals, other financial aid are not included in the minimum wage.

The minimum wage is a state social guarantees mandatory throughout the territory of Ukraine for enterprises of all forms of ownership and management.

The minimum wage is determined taking into account:

- cost value of the minimum consumer budget with a gradual convergence of these indicators to the stabilization and development of the economy;
- overall level of average wages;
- productivity of work, employment and other economic conditions [2, p. 171].

The minimum wage is set by Verkhovna Rada of Ukraine on the Cabinet of Ministers of Ukraine submission, usually once a year, determined by negotiations of representatives of trade unions, owners or authorized bodies united for collective bargaining and the conclusion of the agreement.

The minimum wage is reviewed according to increased price for consumer goods and tariffs for services by agreement of collective bargaining.

After a detailed analysis of the goods and services it was taken into consideration the approximate cost of the list of minimum products which each category of citizens consume.

The resolution assigned such categories as children from 0 to 6 years, children 6-18 years, the working-age population (adult pre-retirement age) and disabled (pensioners and those who for health reasons can not work).

Prices for food have been taken from the online stores the lowest prices that can be found. In retail stores prices are slightly higher. By the way, the cheapest products are often not the best quality and sold at a discount [4].

For feeding a baby under 6 years old you need about 10 147 UAH per year, or 845 per month, pupils need 13 406 hryvnia or about 1,117 per month, adults need at least 10 162 hryvnia per year and 846 per month, pensioners – 7740 UAH per year, or 645 per month. Since January 1, 2016 in Ukraine the minimum wage is 1378 UAH, pension – 1074 UAH. So the minimum income of a family of 4 people – mother, father, children from 3 and 7 years – is 2756 UAH, but to feed all you need 3654 hryvnia. And it is not always enough to pay for utilities.

In these calculations were not included costs for salt, spices, starch, honey, dried fruits. Some minimum standards are confusing. For example, the adult population are not provided with coffee, tea, cocoa, juice, but in the list for children, these products are. By the way, there is no alcohol in the list at all. [3]

In this hard to believe, but a third of Ukrainian risk to the end of the year to be below the poverty line. Since January 1, 2016 the poverty line in the Ukraine is 1330 UAH or \$ 49 per month, since May 1, 2016 - 1399 UAH, December 1, 2016 - 1496 UAH. By United Nation standards, if a person spends on food and accommodation less than 150 dollars a month it is living below the poverty line.

Doctors say that such a diet with minimal consumer basket is dangerous for health, because it is not enough for the working man. Despite numerous attempts, the content of Ukrainian consumer basket has not changed completely, and it was formed by Soviet method.

The poverty line is updated yearly by the Verkhovna Rada of Ukraine according to the Law on the State budget of the Ukraine for a coming year. In 2016 the poverty line will be changed three times: on January 1, 2016, May 1, 2016, December 1, 2016 [1].

In conclusion, the main reason of the low wage in Ukraine is extremely inefficient and unfair tax system and income distribution, imperfect guide of Cabinet of Ministers of Ukraine, destroyed economic development program and improper use of International Monetary Fund (IMF) loans for development of the country.

As a result, according to the United Nations, in Ukraine 80% of the population lives in poverty, and the gap between the incomes of the richest and poorest is in 50 times bigger.

Low wages are not an incentive for employees to achieve high end results of labor. However, using cheap labor, employers are not interested to raise productivity, investing in upgrading production facilities and personnel development.

Cheap labor leads not only to low productivity but low quality of products, so it is not competitive. Low wages are the main cause of the unprecedented growth of hidden unemployment and a significant reduction in effective demand.

Intelligent people prefer to leave Ukraine because most of them have studied 5-10 years to receive higher education, and can rely on minimum wage or wait 20-25 years to improve or increase it [7].

Thus, low wages are not only the result, but one of the main reasons of staying the Ukraine's economy in crisis. It is therefore extremely important task is the restructuring of wages, gradual increasing of wages and the creation of an effective motivational mechanism, based on a combination of economic incentives and social guarantees.

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