

# **SOCIAL SECTOR IN A TRANSFORMED AGRICULTURE: CASE OF UKRAINE**

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## **Abstract**

Market transformations of Ukraine's agrarian sector have radically changed its quantitative and qualitative characteristics. At present no one can flatly assert that the above transformations have produced a visual beneficial effect, for their effectiveness may only become evident in the future. However, a radical change of the state's role, its refusal to fulfill the functions which are not characteristics of the market economic system, the restructuring of the collective farms and the fact that they no longer exert profound influence on the rural life organization is the process which can not be stopped. It requires an adequate revision of the mechanisms of meeting ever increasing needs of the agricultural producers and other representatives of rural society. A system analysis of rural dwellers' social needs and wants testifies to the law-governed nature of appearance of new rural organizations and principal alteration in the role of existing ones. Both of them are to create qualitatively new institutional environment for social sector of rural Ukraine.

*Key words:* agrarian sphere, rural development, social sector, social services, communal enterprises, public organizations.

## **Introduction**

Low level of material wellbeing, limitation of social welfare, technological and cultural achievements in particular, qualitatively worse engineering (highways, transport, communication, etc.) and social (hospitals, schools, clubs) infrastructure in rural areas and, at last, the low attractiveness of both agricultural work and residence in rural areas have always been traditional problems for rural population. In this aspect the situation in Ukraine is not unique, as similar problems do exist in other countries with transitional economy. On a background of traditional social rural problems the deep economic crisis on the one hand and the protracted restructuring of agrarian sector on the other put forward new essential problems of rural social sphere. They are mostly connected with inadequate organizational and financial state maintenance and search of possibilities for supplying rural population with social services which were previously supplied by the state and former collective agricultural enterprises.

In the period of collective farms the maintenance of rural social development was completely the responsibility of farm authorities. After restructuring the collective farms the view of a rural life has changed so that the previous practice became absolutely useless. First of all, the maintenance of social sphere is not compulsory for newly created enterprises. They run their activities according to the current legislation and statutory documents; they pay taxes, but assume social functions only voluntary. Secondly, the newly created enterprises are so various in their scales and potential that it is almost impossible to estimate their standard contribution into social development of villages. For example, a certain (additional) fee feasible to a large-scale farm

cannot be accepted by a small private farm. Taxation can be the only common denominator, but the system existing does not foresee so far a direct entry of money for social purposes from tax-payer to local budgets. This is the subject of a permanent discussion which is no longer only an economic problem.

Thus, leaving aside the taxation reason and division of resources through the state and local budgets, special attention should be paid to the mechanism and opportunities which farm producers and all other rural people can affect. First of all, the position of large-scale agricultural enterprises in solving social problems of agricultural area should be revised. Second, the potential of the cooperating in obtaining social services in full. It is especially evident when a role of rural communities in organizing this process on the basis of mutual assistance and self-governing is concerned. Third, the role and initiatives of rural public organizations, which are to take interest in settling social problems, are yet inadequate. These organizations can neither be developed on the initiative of the authorities nor implanted from outside.

### **Methodology**

A system approach to studying the problem of rural development is the methodological foundation of the research. It is based on the postulate of the interrelation and interaction of the three components, i.e. economic, ecological and social system. One of the specific features of the current situation in Ukraine's agricultural sector is that the social component has turned into "the weakest link" of the above subsystem with respect to the living standards of peasants, their provisions with social and consumer services (as compared to that of urban residents), conditions and prestige of the agricultural work, depopulation of rural territories etc. A certain level of detachment has made it possible to put forward a working hypothesis that the situation can be improved in favour of rural dwellers through concentrating all efforts on the following basic directions: cardinal changes in the assortment and qualities of services for the rural population; the incentives for the development of the large-scale farms and agribusiness corporations social functions; an increased of communal and other enterprises which are controlled by local territorial communities; the support (most of all, political) public organizations which contribute to the solution of social problems in the countryside. The above system approach is also related to the simultaneous and mutually coordinated promotion in all the directions outlined. The key point of the research is that both the analysis of the situation and the synthesis of suggestions as to the rural areas overcome the depressed state are based on mobilizing non-governmental possibilities of obtaining the desired results.

### **Research results**

***The place and the role of social services in the rural areas.*** A more detailed concept as to desirable supporting institutional environment can be given by characterizing different kinds of rural services necessary for modern commodity producers. In general, services can be divided into social and agricultural. Social services cover a wide range of different kinds of activities, which can be divided into public and humanitarian ones. First of all, public services should ensure the

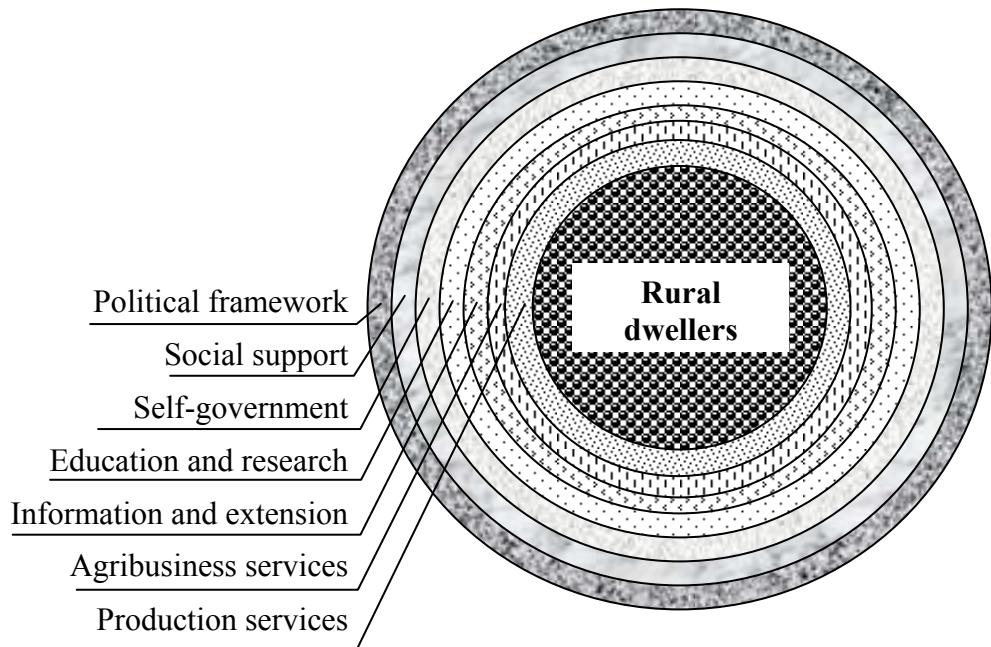
protection of political interests of not only agricultural producers but of all rural dwellers through lobbying their interests on the highest levels of the state administrative hierarchy. Under the democratization of the Ukrainian society the main attention should be paid to a stronger political backing of the agriculturalists' interests by regional and local authorities. The agrarian lobby ought not only to defend the interests of farm producers but to create their positive image in the society, for it is they who provide the population with foodstuffs. The environmental protection, rational use of national resources, production of eco-safe foodstuffs are to be an important part of the state support. Each rural community must be also provided with physical infrastructure, without which the country's further development is impossible. Humanitarian services are to satisfy material and spiritual needs and interests of both rural communities and individual families. The variety of the above services, their quality and availability can serve as a material basis for a full reproduction of labour force, the all-round development of a personality and for the creation of a positive image of the rural life.

Public, humanitarian and production services in any form have already existed in Ukraine but the demand for agribusiness services appeared quite recently as a result of market transformations in the agrarian sector.

Determining the range and classifying the needs make it possible to definitely rank them with the aim of their further analysis as to the existence of the corresponding institutional environment necessary for satisfying their needs (Fig. 1). Otherwise speaking, it appears expedient to divide the needs of agricultural producers (and of all rural dwellers) in such a succession that would make it possible to methodologically ensure the possibility of assessing how fully the institutional environment (both existing and the one which is being formed) is capable of satisfying these needs today and in prospect. For Ukraine, the assessment of the level of satisfying the above needs still remains to be seen. It concerns the quality of the servicing mission the institutional surrounding performs. For the time being, the problem to be considered is the system character of the structure-forming processes on the post reform stage.

Of paramount importance is the apportionment of the institutional environment covering which are associated with certain needs of agricultural producers and, correspondingly, with some organizational opportunities of satisfying these needs. The number of coverings is a derivative from the level of the agrarian sector development, from the level of agricultural producers' realization of the ever increasing variety of their needs, from the attitude of the society to the country's agrarian problems, as well as from the level of the agrarian sector integration into the world economic space. The coverings adjoining agricultural producers are the ones connected with satisfying its production and everyday business needs.

It should be pointed out that the rise of the problems is a dynamic process. Hence, we should expect changes in the needs and interests in each of the proposed directions. We might not have embraced every need and interest of contemporary rural people. However, identifying the proposed classification groups of needs and interests with their further ranking makes it possible to further analyze their institutional support to meet the above needs.



**Figure 1. The model of a favorable institutional environment for rural development in Ukraine**

Source: own research.

***Social functions of production enterprises and agribusiness companies.*** Most of the large-scale farms and agribusiness corporations already fulfill important social functions, but at present they mainly focus on motivating hired workers and ensuring their loyalty to the company. Particularly, in order to effectively motivate their workers the above mentioned enterprises employ such socially oriented methods as: 1) differentiation of money reward for work, which ensures high living standards for the workers whose contribution to achieving the enterprise's goals are considered more substantial; 2) better working conditions and promotion opportunities for significant workers; 3) providing the workers' families with houses and maintaining them; 4) full or partial money coverage of vocation expenses of the employees and their families; 5) education, training and improving qualifications of their workers; 6) personal pensions and other benefits for the best employees. And, the last but not the least, 7) the increase in the amount and diversification of activities of big companies facilities creation of jobs in the rural areas and reduces obvious and latent rural unemployment which is Ukraine's acute social problem.

Taking into consideration the radical restructuring of the agrarian sector, we can assert, that hired workers at privatized enterprises cannot as fully and thoroughly influence the fulfillment of the enterprise's social functions as they did in the times of the collective farming [1, c. 349]. At the same time it is quite positive that the system of the motivation of the work is getting rid of the leveling in the remuneration of labour. The motivation instruments are becoming more sophisticated. The fulfillment of social functions is completely under the control of the enterprise's new owners and top executive management. The only exception to the rule is the so-called agricultural production cooperatives which have inherited some features of former collective

farms, their social mission in particular [2, c. 13]. Production cooperatives provide employment to their members without fail, solve problems concerning the distribution of material benefits, create proper working conditions and take care of their members' well-being. Also, they take a greater interest in developing the countryside where these enterprises are located. The public highly esteems such social purposefulness of production cooperatives [5, c.162].

There exists a certain problem as to the role large-scale enterprises are playing in the development of rural communities and their territories. In this context we should identify some key aspects. First, the use of public infrastructure by these enterprises is rather heavy, hence it is quite natural that they should input into the infrastructure support. Second, the enterprises employees as well as their families are equal members of the rural community, so they are to have unlimited access to the social infrastructure establishments which is guaranteed by the Constitution of Ukraine. That is why there is nothing strange that the rural communes are approaching the large-scale enterprises to maintain some social objects, to which in general enterprises' managers comply. Third, the rural commodity has the right to insist on large-scale enterprises investing in ecological programs aimed at protecting the environment and the providing the proper life quality for rural dwellers.

It would be unfair to say that the state has held aloof from the solution of the problem but the appropriations for the construction of the social sphere projects are permanently being cut down. That is why under the conditions of the state financing limited opportunities and the imperfection of the state budget allocation the situation requires more understanding and operative help on the part of the large-scale farm enterprises and, in particular, on the part of successful marketing and processing corporations which are functioning in the rural area. The large business interest in the development of social sphere should rest not only on altruism but on the true prospects of obtaining return on investment in the social sphere. For, through creating comfortable living conditions, modernizing the rural area, giving people due opportunities for recreation, environmental protection, etc., the large companies attract skilled and qualified workers and reliable business partners and develop their own positive image. All above eventually makes them more competitive. But these companies do need guarantees as to strong and long-term business prospects on the part of the local self-government and state executive bodies. Taking into consideration all the above, one cannot deny the urgent necessity of forming a sound juridical basis for the trilateral relations (enterprise – state – local authorities) with the aim of improving the social conditions in the rural areas.

**Communal service enterprises.** Rural territorial communities can take a lead in radical social changes in the countryside. Under rural territorial communities residents of a certain village or voluntary association of residents of several villages are meant. The Constitution of Ukraine gives territorial communities the right to exercise local self-government both directly by themselves and through local self-government organs and their executive bodies. Their ever-growing role in the process of forming a democratic society in Ukraine is quite obvious. The guiding principle of the territorial community activity as to the satisfaction of their members' needs is the stimulation of the “from below” initiative its voluntary and open nature, the fair and

honest distribution of communal resources and public goods. Rural territorial communities embrace the communal property objects on a contractual basis, invest money in joint projects and finance organizations working for the benefit of the community.

Rural communities can meet their members' daily and social needs in different ways. The first is to establish at rural communities communal enterprises for performing various social functions. Such enterprises are owned by the whole community and their work is checked by local self-government bodies. In order to promptly respond to villagers' pressing needs and to efficiently use their material and technical resources, communal enterprises very often provide both household and agricultural services. Nowadays, the most common services rendered by communal enterprises are as follows: the household plot cultivation, artificial insemination, water-supply and irrigation, motor transportation, providing facilities for the village, garbage removal and burial services.

In the past most of the functions of present-day enterprises were fulfilled by former collective and state-owned forms. That is why the problem of organizing financing in particular, was not so acute for customers because they would only pay part of the services obtained or did not have to pay at all. But now, in spite of the obvious public expediency of such enterprises the problem of their survival proves to be very pressing, which is explained by limited financial opportunities of local self-government bodies. There may be three ways out: 1) making communal service more entrepreneurial, first of all by making a wider variety services available and improving their quality, which will result in the flow of more money from customers; 2) making the state financing more substantial through the improvement of the mechanism of collecting and distributing local taxes; 3) setting up charitable funds and drawing them in financing the development of rural communities.

It should be noted that better work of communal enterprises will facilitate the formation of the competitive environment. In this aspect there may be two scenarios. The first is connected with a greater role of private enterprises which render services in the countryside. Local self-government bodies are carrying out the policy of the promotion and support of small business which is of great social importance for the certain territorial community. These are repair workshops, stores and cafes, hairdresser's shops, sawmills carpenter's shop and burial services. The other way is the establishment of socially-oriented cooperatives [6, c. 9; 9, c. 7]. Many of such cooperatives have the legal status of agricultural marketing cooperatives. As a rule alongside with their main activities in the sphere of agribusiness they render social services to their clients-owners. Now such cooperatives are involved in the organization of water-supply and irrigation, in the maintenance of some objects of the rural engineering infrastructure. The main difference between such cooperatives and communal enterprises lies in the fact that cooperative members can more efficiently control their enterprise work, for they are its patrons [10, p.171].

**Public organizations.** The process of the rural life democratization, along with a greater role of rural communities, has resulted in a stronger influence rural communities are beginning to exert on the village social sphere. Among the public organizations which are functioning in Ukraine's agrarian sector one can find

political parties, the Labour Union of the Workers of Ukraine's Agro-Industrial Complex, professional public organizations (those of farm managers, private farmers and landowners, manufacturers of some products, representatives of a specific type of economic activity, etc.) and interest-oriented organizations (sports, youth, women's clubs, etc.). Public organizations play a very important part in defending political, economic and social interests of agricultural producers. They represent rural dwellers' interests on higher stages of the state power, its interrelations with the public, other strata of society and various social groups. Due to the public organizations the farm producers have got their lobby in the Parliament, they receive regular governmental support and can attract attention of local self-government and executive bodies to their problems. It is public organizations that help farm producers to defend their interests in courts of justice. The special feature of Ukraine's rural communities is the fact that first they are set up on the higher hierachic levels and only then there appears a network of their representatives or centres on a local level.

Among Ukraine's leading political parties that took part in the Parliamentary elections there were no parties which could proclaim their agrarian belonging. At the same time nearly all political forces in their programs determine their attitude towards the problems of the countryside and propose ways for their solution. Even though during election campaigns political parties are able to stimulate rural dwellers' political activities, the politicization level in the countryside is much lower than in urban areas. As a rule, rural dwellers delegate the right to defend their political interests to leading political parties, which in their turn determine personally who can do it the most efficiently.

The Professional Union of the Agro-Industrial Complex Workers (Labour Union) still remains one of the oldest and largest (as to the number of its members) public organizations in the agrarian sector of Ukraine. It used to operate at full capacity even under Soviet times, though its activities were controlled by the command system and limited by certain ideological restrictions. At the same time, the state was quite active when supporting the labour movement politically in the agrarian sector as well. After Ukraine had been proclaimed independent, the Union declared new ideological principles of its work, as well as its absolute independence from the state control and other public organizations, though under turbulent social transformations and crisis phenomena in the economy, the Union is living over hard times.

Professional public organizations in Ukraine's agrarian sector differ in their existence periods, their representative levels as well as their opportunities. But one should distinguish between two parties from the rest, for they are better structurized, have a wide network of primary organizations and influential representatives on each level of administrative and territorial hierarchy. These are the All-Ukrainian Union of Agricultural Enterprises and the Association of Private Farmers and Landowners. They both are functioning on local national and even international levels, have representatives in every administrative and territorial unit. Many of their members have been elected to the Oblast and district Councils. These two organizations possess highly efficient mechanism of affecting Ukraine's agrarian policy. The mission of these organizations will be considered in the next chapter.

The part sectoral professional associations play appears essential. These unions existed under Soviet times too, but their role is changing radically under the market economy and democratic society. Earlier they used to be mainly advisory bodies functioning within the framework of the Ministry of Agriculture and were financed by state. At present they have become financially and politically independent. The Ukrainian Grain Association, the Association of Sugar Producers, the Association of Oil Seeds Producers & Processors, the Ukrainian Dairy Association, the Ukrainian Meat Association and some other sectorial organizations belong to the most influential ones. Their primary task is aimed at representing and defending their members' interests (producers and, especially, processors) by lobbying actions at the Parliament, Cabinet of Ministries, Ministry of Agricultural Policy and other governmental bodies. They are also responsible for public relations and other social activities which can be useful for their industries. As a rule, they are not engaged in business and have non-profit, non-government, non-commercial status. The Ukrainian legislation does not limit the number of participants for such associations on the condition that it will not lead to the formation the monopolies, the monopolization of markets and restriction of competition [7, c. 60]. Of late in Ukraine the issues of the new legal framework for the professional sectorial and intersectorial public associations are being broadly discussed. It can give their participants more effective instruments of the influence on forming and implementing the agricultural policy and also will create the possibilities for income levelling of market chain operators from the producer to the final consumer [3, c.173].

Interest-oriented public organizations can be conditionally divided into two groups: a) those which traditionally exist in rural area for many years, and b) those which have been started recently after above mentioned political and social transformations. The sports, cultural (folk), music, art, etc. interest-oriented public organizations belong to traditional ones. The present-day specific feature of their development is connected with the search for self-financing resources and also different charitable donations because the state budget allocation into this sphere is absolutely insignificant. These organizations are kept, and sometimes even actively developing, mainly due to the inveterateness and assiduity of the personalities they united as well as to the possessive and, usually, altruistic position of their leaders. Newly appeared interest-oriented public organizations are also struggling for their survival, although sometimes their financing is partly ensured at the expense of the related organizations in foreign countries, especially where the Ukrainian Diaspora lives.

The formation and development of public, cooperative and other non-government organizations is the important way to satisfy rural dwellers' various social needs. The broadening spectrum of their functional purposes as well as growing social and economic role is the logical tendency of the Ukrainian society democratization [4, c. 107]. In the nearest future we should expect the further increase in the public organizations quantity in all above mentioned directions, even the increasing number of the directions themselves. Against this background, the improvement of the public organizations' legal framework seems to be necessary as well as strengthening of their cooperation and harmonization of relationships with

other components and elements of institutional environment, including the state organizations and establishments.

### **Conclusions**

Certainly, the formation of the new institutional environment in Ukraine's agriculture is a slow process, which is not always consistent and is not deprived of tactical errors and blunders. But despite of certain confusion of the process one can not but notice some features of its systems character, at least some positive moves in all key directions forming components of the future self-regulating system, which ensures the agrarian sector functioning. This system is oriented rather at private initiative, personal motivation and synergy of group actions than at the dependence on the state's permanent support, financial aid in particular. It should not be treated as underestimation of the state's role in the above process. But on the mentality level there must be a complete repudiation of the state's influence on the process of developing post-reform rural organizations. The state should be a sort of catalyst, stimulator, balance-maker but not an initiator, organizer, supervisor, executor and even the main investor.

In this aspect the cooperative theme of the study conducted is an attempt to demonstrate that for rural communities the group actions are the most effective means to solve urgent social problems. Even if we make hypothetical assumption that the state is able to properly finance the countryside development, a number of questions will arise: are the rural dwellers ready efficiently use the money appropriated? Are there any transparent mechanisms of public control? Are the rural dwellers aware of their mutual responsibility for their life quality improvement? It is evident that without a more active role of local self-government it will be impossible to get positive answers under present-conditions even with a more favourable attitude of the society as a whole and the strong state support. The development of social sector is an inherent component of building up the democratic society in Ukraine.

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## **СОЦИАЛЬНЫЙ СЕКТОР В ТРАНСФОРМИРОВАННОМ СЕЛЬСКОМ ХОЗЯЙСТВЕ УКРАИНЫ**

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### **Аннотация**

Рыночная трансформация аграрного сектора Украины радикально изменила его количественные и качественные характеристики. Пока еще нельзя однозначно утверждать о достижении положительного эффекта этих коренных трансформаций, поскольку их результативность может раскрыться лишь в перспективе. Однако, принципиальное изменение роли государства, отказ от выполнения им определенных, несвойственных рыночной экономической системе функций, реструктуризация коллективных хозяйств и прекращение их доминирующего влияния на организацию сельской жизни является необратимым процессом, который требует адекватного пересмотра механизмов удовлетворения всевозрастающих потребностей сельских товаропроизводителей и других представителей сельского социума. З точки зрения системного анализа потребностей и интересов сельских жителей закономерным представляется появление новых сельских организаций и принципиальное изменение роли некоторых, уже существующих. Все они призваны создать качественно новую институциональную оболочку социального сектора украинского села.

**Ключевые слова:** аграрная сфера, сельское развитие, социальный сектор, социальные услуги, коммунальные предприятия, общественные организации.