

## MONITORING OF INDICATORS OF SOCIO-ECONOMIC DEVELOPMENT OF UKRAINE

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**Abstract.** The transition to market relations and the corresponding structural changes in economy influenced the formation of incomes, their use and distribution system. The largest share in the structure of monetary income of the population is wages; it has increased in recent years. At the same time, there occurred the decline in production in the process of market transformation economy and, as a consequence, forced underemployment and unemployment of a large part of the working population, lack legislative levers of influence on the regulation of the property process stratification of the population led to a decline in living standards, deepening its stratification by the level of cash income and distribution of property, the inability of the majority of the population to do savings, spreading the shadow of monetary income of citizens, hiding them from taxation. This led to a reduction in the effective demand of the population, narrowing the volume of domestic market, reducing opportunities for domestic investment resources and restraint of economic growth of the state. The country's economic growth is observed from year to year, it directly depends on the welfare of the population and their income. Socio-economic development of the country is impossible without the participation of the population and accumulation of human capital, investment in it. Structural changes in Ukraine's economy – human capital index, average income, migration processes, declining total population – have negative consequences for economic growth in the country as a whole. Therefore, there is an urgent need to study this issue, taking into account all possible prospects. The peculiarities of these indicators specify the development of any country, where one of the main macroeconomic goals is due to the need to outpace the growth of national income in comparison with the growth of the index of human capital and income of citizens. The economic development of the country concerns money and the increase of the general welfare of the population. The way to improve the better life and economic development of the country is possible taking into account the transformation processes, but achieving this involves solving a set of goals and objectives facing governments at all levels. Economic and social development of the oblasts of Ukraine seeks to be better today. The delimitation of oblasts is caused by the level of the average wage, as well as the total per capita income. The study of indicators of socio-economic development requires clear and precise actions on the part of the state and local self-government. The creation of development strategies for a certain period helps to improve the situation in the oblasts of Ukraine, but it is a temporary phenomenon that is not a managed system in some cases. Currently, there is a problem of economic development, social protection of low-income groups and health care, retirement-age people and so on. All human and civil rights are equal and interrelated, and therefore they must be equally protected by the state: human's life and health, honour and dignity, inviolability and security are the highest social values (Article 3); free development of personality (Article 23) is determined by the Constitution of Ukraine. The study outlines the relationship and interdependence of local budget revenues from subsidies and subventions of the state budget, economic activity of the population, as well as the unemployment rate is an important indicator of the general state of the economy.

**Key words:** human capital, development, population, economic growth, average income.

**JEL Classification:** J24, O10, P42

### 1. Literature review

As early as the 17th century, Petty W., (1940) was the first to suggest that people and their productive abilities were wealth, and included the useful

properties and abilities of human in their monetary evaluation of the concept of capital: "It seems reasonable that what we call wealth property or stock of the country and that is the result of past or past

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work, would not be considered something different from the living forces, but would be valued the same.” The idea of the dependence of income of workers, enterprises and society on the knowledge, skills and abilities of people expressed A. Smith, (1962) “The growth of useful labour depends primarily on improving the skills and abilities of the employee, and then on improving the machines and tools with which he works” (List, 1891); “Acquisition of such abilities, as well as the retention of their owner during his upbringing, education or apprenticeship, always requires real costs, which are fixed capital, which seems to be realized in his personality. These abilities ... at the same time become part of the wealth of the whole society...” One of the reasons for the economic backwardness of some countries, D. Ricardo (1995) considered “lack of education in all segments of the people”.

The theory of human capital acquired a certain development in the works of Karl Marx, (1960). He defined labour as a form of commodity that belonged to the free person of the employee and is alienated from the employee through its sale on the labour market. Not considering labour as capital, K. Marx used the concept of variable capital to characterize labour costs: “... labour in the hands of the worker is a commodity, not capital..., how capital functions after sale, in the hands of the capitalist, during the production process itself”.

Proponents of the theory of three factors of production (A. Marshall et. al., 1993) did not refer human to the category of capital, but they did not deny that human’s social qualities – knowledge and ability to work – can be considered component of capital. The production of wealth is only a means of supporting human life, meeting its needs and developing its forces – physical, mental, but man himself – the main means of producing this wealth, and it is the ultimate goal of this wealth ... (Marx et. al., 1960). According to J. Mill (1920), “the human person... is not capital. Human is the goal for which wealth exists. But its acquired abilities, which act only as a means and are realized only through work, on all grounds can be attributed to the category of capital”.

In his scientific work “The National System of Political Economy”, F. List (1891) attributed to capital in addition to material wealth, the natural and acquired abilities of people. He attached great importance to the results of the social development of the people, the moral spirit of the nation. F. List noted that the nation must produce spiritual knowledge, because they produce productive forces, while other goods only exchange values. Hence, the wealth of a nation largely depends on the level of development of “mental capital” because the current state of nations is the result of an accumulated mass of various discoveries, inventions, improvements, efforts of all generations who lived before us constitute the intellectual capital

of existing humanity, each individual nation is as productive as the person has been able to assimilate this legacy from previous generations and replenish it with its own possessions...” (Petty, 1940).

The content of “human capital” includes “natural abilities, general culture, knowledge (general and special), acquired abilities, skills, experience, and ability to apply them at the right time in the right place”, R.M. Nureyev says. It is also the stock of health, motivation, skills that contribute to human productivity. Thus, the structure of human capital includes: health capital, healthy lifestyle, educational capital (general and special knowledge), capital of training in production (qualification, skills, professionalism, work experience), scientific capital, inventions, innovations, ideas, theories, research), capital of culture (education, morality, self-education, self-development) possession of economically significant information (awareness of prices, losses and profits); capital migration (mobility of workers), motivation and incentives for economic activity (Smith, 1962). Human capital is a certain stock of health, knowledge, skills, abilities, motivations formed or developed as a result of investments and accumulated by a person, which is purposefully used in one or another sphere of social production, promotes productivity growth and thus affects the growth of its income. It is necessary to pay attention to some fundamental points arising from this definition:

- firstly, human capital is not just a set of these characteristics, but it is formed or developed as a result of investment and accumulates a certain amount of health, knowledge, skills, abilities, motivations;
- secondly, it is such a stock of health, knowledge, skills, abilities, motivations, which is expediently used to obtain a useful result and increase productivity;
- thirdly, the use of human capital naturally leads to an increase in income of its owner;
- fourthly, income growth stimulates further investment in human capital, which leads to an increase in personal income. It should be emphasized that not all investments and not all income can be expressed in monetary terms. In addition to spending money, training, health promotion and other activities aimed at increasing human capital require, at least, and the hard work of a person. In addition to monetary rewards (increase in income), a person with more human capital receives moral satisfaction, saving time, social status. It should also be remembered that the accumulation of human capital results in an integrated social effect, which benefits not only the individual, but also the company, in which a person works, and society as a whole.

The category of “income” was defined by J. M. Keynes in his book “The General Theory of Employment, Interest and Money”, he pointed out the difficulties that most hindered its writing.

Table 1

**The essence of the category “income” by representatives of various economic schools**

Economic schools	Interpretation of the economic essence of the income category
Classical economic theory (W. Petty, A. Smith, J.B. Say, D. Ricardo)	The source of benefit was not only at the stage of production in the form of cost reduction, but also in the process of exchanging goods in the form of increasing sales. It followed that any socially useful work could contribute to income growth. Adam Smith expressed the following views on sources of income: “Wages, profits and land rent are the three primary sources of any income, as well as any exchange value. Any other income is ultimately obtained from one or another of these sources.”
Marginalist economic theory (E. Böhm-Bawerk, L. Walrus, W. Jevons, V. Pareto, I. Fischer, J. Hicks)	This economic theory explored the problem of income generation not from the supply side, through costs, as the classical school did, but from the demand side, through the attitude of man to the thing, which is manifested in the sphere of personal consumption and exchange. The starting point was the provision that income was influenced not only by the personal interests of the producer, but also the interests of consumers of goods and services.
Neoclassical Marginalist theory (M. Blaug)	Economist Mark Blaug focuses on the theory of income from the standpoint of macroeconomics, the development of productive forces and production relations without recognizing the theory of wages, profits, rents and interest as the basis of this question.
Keynesian economic theory (J. Keynes)	The Keynesian concept considered as an additional source of income motives for the behavior of individuals: “the emergence and movement of income may be related to human behavior.” John Maynard Keynes argued that the economic system needed government regulation.
Neoclassical economic theory (J. Clark, A. Pigou, F. Hayek, G. Haberler)	John Bates Clark explained the generation of income. The neoclassical scientist formulated the law of natural order: “Each factor has a certain share in the product and each has a corresponding reward, this is the natural law of distribution.” John Clark’s conclusion about the distribution of value created was that the income of each factor was proportional to the quantity and value of its marginal product. Based on the theory of John Clark, Ukrainian scientist Mykhailo Tuhan-Baranovskyi developed a social theory of distribution, which pointed to two factors on which wages depended: economic and social. The economic factor was the growth of the productivity of social labour, and the social factor was the social performance of the working class. The income based on the exploitation of the worker by the capitalist was profit, and the non-labour income resulting from the use of the useful properties of the land was rent.
Marxist economic theory (K. Marx, E. Bernstein, R. Hilferding, K. Kautsky, V. Lenin)	The Marxist approach to the formation of income is based on the theory of labour added value. According to Karl Marx’s theory, the source of income is labour. Only one factor participates in the creation of new value – the worker, the owner of labour. Other types of income are only the result of unpaid labour.

Source: (Popovych et. al., 2016)

The Macmillan Dictionary of Modern Economic Theory defines income as the amount of money or services received by an individual, corporation, or economy over a period of time. The definition given in the “Explanatory Dictionary of the Ukrainian language” is close:

“Income is money or material values received by the state, commercial and industrial institution from an individual as a result of any activity”.

## 2. Methodological approach

In the process of studying the trends of human capital development, a systemic approach, economic and statistical methods (graphical, comparison, averages) were used; correlation and regression analysis – to consider the dependencies on the formation of trends and forecasting the prospects of the world market; cluster analysis and analysis of variance – to structure and identify individual groups of countries that differ in volume and share of economic growth and economic conditions.

## 3. Results

Human development in the countries of the world is no less important, it characterizes the indicator defined by the United Nations Development Programme (UNDP) and used within the UN. The Human Development Index predicts that people living in high-income countries will live 19 years longer and study 7 years longer than those living in low-income countries.

UNDP’s statistics present the Human Development Index for 2017 (HDI – values and positions) for 189 countries and territories recognized by the UN. There are significant differences between Ukraine and other countries when it comes to the well-being of the population. A child born now in Norway, the country with the highest HDI, is likely to live over 82 years and study for almost 18 years. At the same time, a boy born in Ukraine will most likely to live 63 years and spend 12 years studying. Although significant inequalities occur in many countries, including some countries with high levels of economic growth, on average,

countries such as Ukraine, which have a lower level of human development, suffer heavy losses. Ukraine ranks 88th out of 189 countries for which the Human Development Index is calculated. This indicator still allows the country to fall into the highest category of human development.

The Human Development Index (HDI) is the final indicator for assessing the long-term progress of human development:

- 1) long and healthy life;
- 2) access to knowledge;
- 3) a decent standard of living.

Long and healthy life is measured by average life expectancy. The level of knowledge is measured by the average number of years spent on adult education; the

average number of years of lifelong learning in people over 25 years of age; access to learning and knowledge by expected years of schooling for first-graders, is the total number of years of schooling that a school-age child can count on if school enrolment age models remain unchanged throughout the child's life. The standard of living is measured by gross national income (GNI) per capita in dollars of constant purchasing power at the level of 2011, convertible by the coefficients of transition to purchasing power parity (A. Smith, 1962).

The following results can be drawn: Norway is one of countries that maintain their positions in the Human development in the range from 0.94 – in 2015 to 0.953 – in 2018. Among the countries unstable-development can be observed in the South Sudan – 0.467 in 2015,

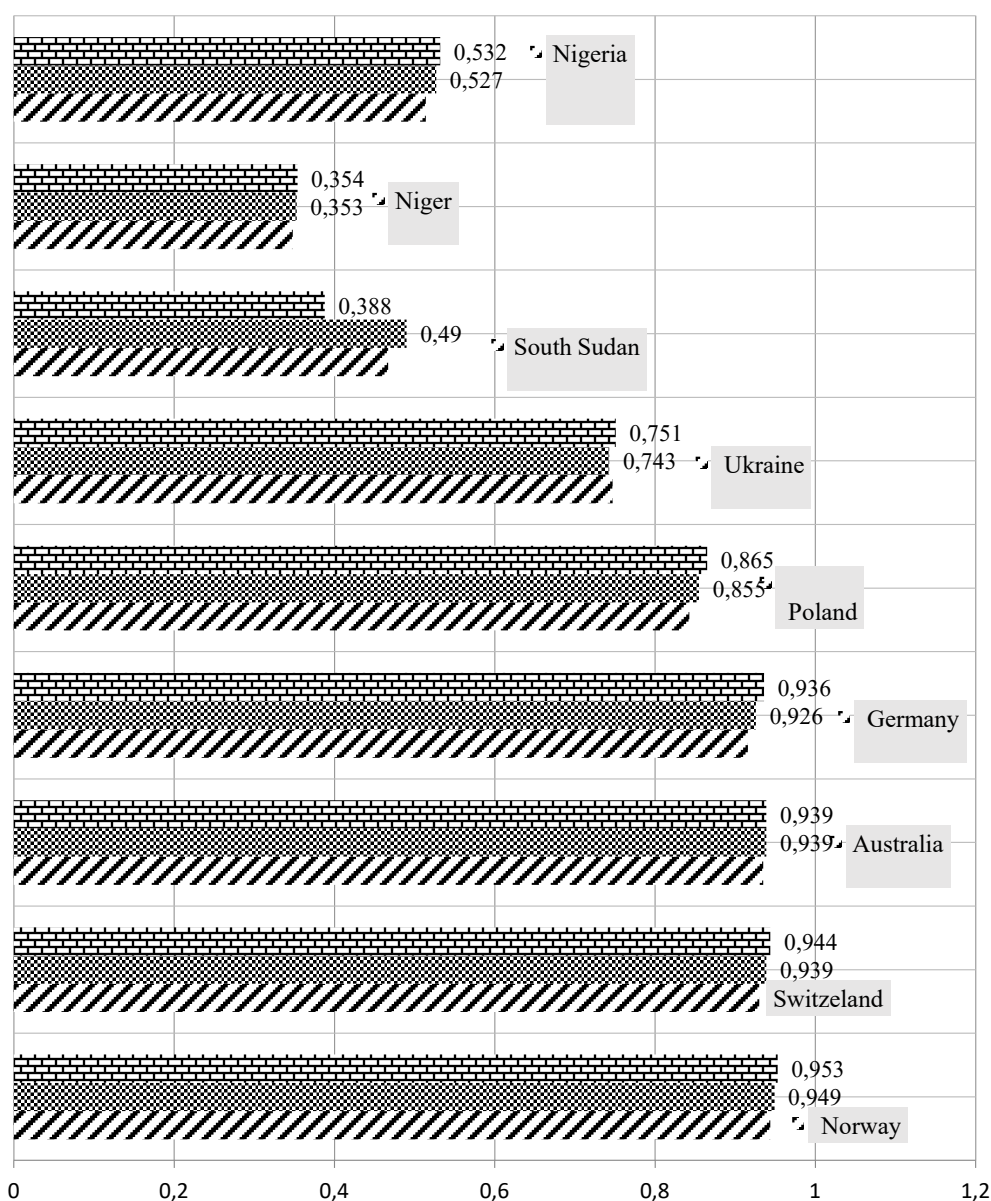
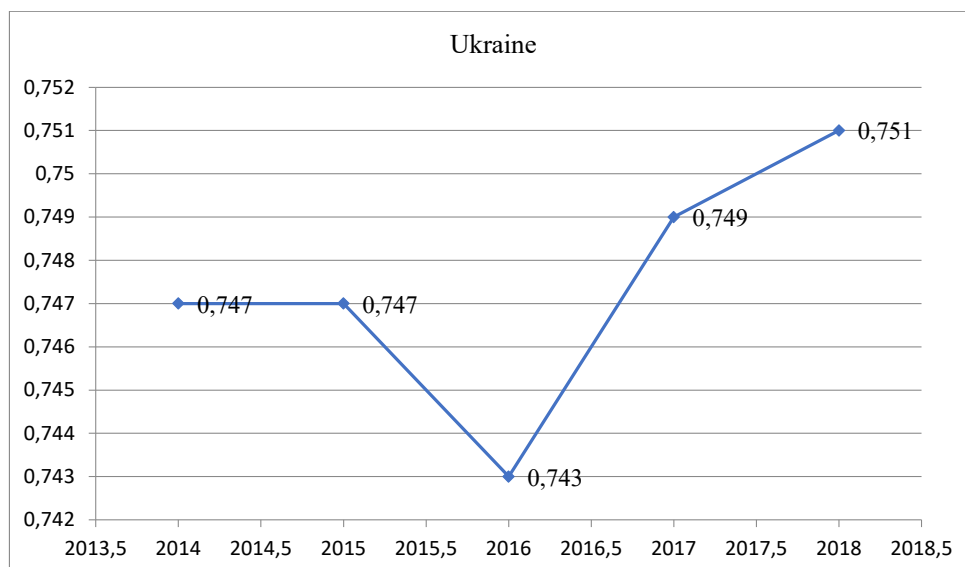


Figure 1. Human Development Index (HDI) in the world in 2015–2018

Source: own compilation



**Figure 2. Human Development Index of Ukraine in 2014–2018**

Source: formed by the author

a slight increase in 2016 – 0,49, and a sharp decline in 2018 – 0,388. Ukraine obtains stable positions in the Human Development Index – 0,747 in 2015 and 0,751 – in 2018. The most approximate to Ukraine are Armenia (0,743 – 2015) and Jordan (0,745 – 2015).

The dynamics of growth of the Human Development Index of Ukraine from 2014 to 2018 Figure 2.

On the positive side, Ukraine remains among the countries with a high level of human development and has improved the length of study. However, there are also negative aspects: Ukraine has lost several positions in the ranking and now its place is one of the lowest among the countries of Europe. Thus, the human development index in Ukraine was 0,743 in 2016. It ranked 84th in 2016 and 89th in 2018, among 189 countries and territories. In 2015, Ukraine was in 81st place. An important indicator that characterizes the socio-economic development of the country is income per capita. Last year (2019) in Vinnytsia oblast, the per capita income was 64,729 UAH, while the average salary of a full-time employee was lower than the national average and amounted to 9,299 UAH. Thus, in Ukraine in 2019, the disposable income per capita was 67,528 UAH, and the average salary of full-time employees reached 10,497 UAH. The first place in the ranking of oblasts by income per capita in 2019 is occupied by Kyiv and is 165,054 UAH, the last – Luhansk oblast, excluding data from the occupied territories – 24,477 UAH. In the capital, a full-time employee receives an average of 15,776 UAH, which is the highest salary in Ukraine. Vinnytsia is at the 10th place in the ranking with a disposable income of 64,729 UAH. The average salary in our city is 9,299 UAH, which is lower than the national average. In terms of population, Vinnytsia

oblast occupies a position between Poltava and Zaporizhzhia, although smaller in oblast.

The disposable income in the city of Kyiv per person is 165,054 UAH, with the highest average salary being 15,776 UAH. The city as a capital, having a special status, is a separate territorial unit, so the statistics indicate the level with the oblasts. Although Kyiv is the smallest in terms of territory, compared to the oblasts and even the city of Sevastopol, which also has a special status.

According to the population, Kyiv is the third after Donetsk and Dnipropetrovsk oblasts, according to the State Statistics of Ukraine on the average number for 2019. The disposable income in Dnipropetrovsk oblast per capita is 87,130 UAH. The average salary in Dnipropetrovsk oblast is among the top five in Ukraine, amounting to 10,751 UAH as of 2019. The oblast is the second largest in terms of area after Odesa and the second largest in terms of average population in 2019.

In Zaporizhzhia oblast, the income per capita is 75,407 UAH. Zaporizhzhia oblast ranks 5th in the amount of 10,480 UAH in terms of the average salary of full-time employees. The oblast ranks the 9th in terms of area and population.

Kyiv oblast has the following level of income per person: 75,146 UAH. The average monthly salary in the oblast is among the top three – 11,003 UAH. In terms of area and population, Kyiv oblast is one step higher than Zaporizhzhia oblast.

The largest area in the country (33,310 sq. km) belongs to Odesa oblast, and the population is ranked 6th in Ukraine. The income per person is 72,805 UAH; the average monthly salary of full-time employees in Odesa oblast in 2019 is 9,246 UAH, which is less than in Lviv, Poltava and Mykolaiv oblasts. However, it is close

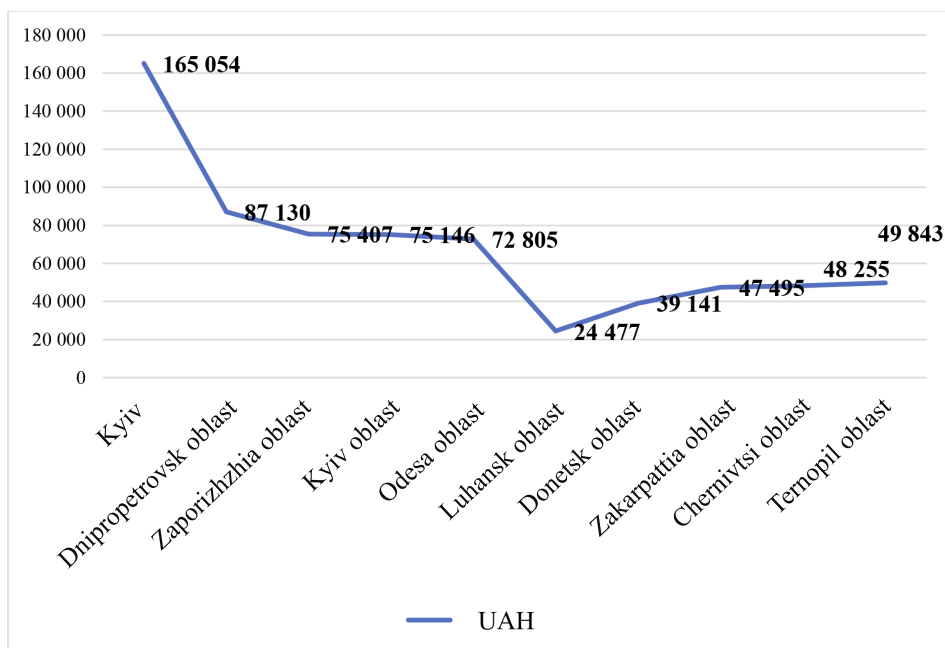


Figure 3. Ranking of cities by income per capita in 2019, UAH

Source: formed by the author

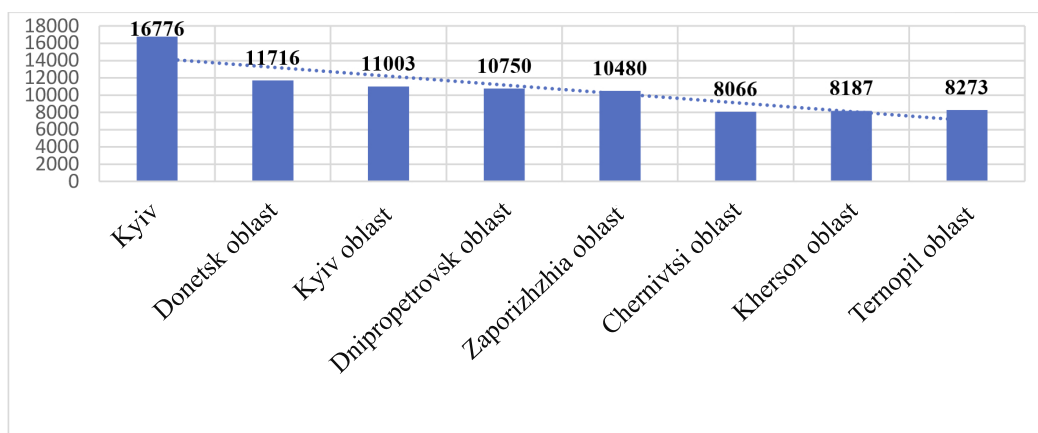


Figure 4. Average salary of full-time employees in 2019, UAH

Source: self-formed

to the average salary of Zakarpattia oblast in the amount of 9,202 UAH.

Poltava oblast. Disposable income per person: 71,627 UAH, the average monthly salary for 2019 is 9,846 UAH.

Lviv oblast. Disposable income per person: 65,691 UAH. The oblast is in the top five according to population (2,498,683 people), although it ranks 17th in terms of the oblast. The average salary in 2019 was 9,271 UAH.

Kharkiv oblast. The disposable income per capita is 65,534 UAH; the oblast is among the leaders in terms of population in 2019, one step higher than Lviv, and slightly less than the city of Kyiv: 2,651,394 people, and the fourth largest oblast in the country. As for the

average salary, it is below the average in Ukraine and is 9,081 UAH.

In Sumy oblast, the income per capita is 65,310 UAH, and the average salary is 8,579 UAH, which is close to the lowest figures in the country.

The income of citizens of Vinnytsia oblast per person is 64,729 UAH, compared to the average salary, it is 9,299 UAH, which is lower than the national average. In terms of population, Vinnytsia oblast occupies a position between Poltava and Zaporizhzhia oblasts, although it is smaller in area than these oblasts.

In Mykolaiv oblast, the income per person reaches 63,685 UAH. The average salary is 9,976 UAH; it is lower than the national average, but slightly higher than in Odesa oblast.

Zhytomyr oblast has an income per person of 61,961 UAH, but the average salary in the oblast is close to the lowest and is 8,528 UAH. Zhytomyr oblast is the fifth largest in Ukraine, and the average population (1,214,971 people) is lower than in Zakarpattia oblast (1,252,463 people), which is among the smallest in the territory.

Chernihiv oblast is the third largest oblast in Ukraine, after Odesa and Dnipropetrovsk oblasts, but in terms of population it is in the top three with the lowest rate – 989,978 people (average for 2019). The disposable income per person is 58,904 UAH. According to the level of the average salary, it also occupies low indicators in the amount of 8,206 UAH, the lower level is only in Chernivtsi and Kherson oblasts.

The average salary of 8,838 UAH is in Cherkasy oblast, the figure is almost the same as in Luhansk and Rivne oblasts, but the income per citizen is 58,808 UAH.

By size, Kirovohrad oblast ranks 15th among the oblasts, the Autonomous Republic of Crimea and cities with a special status. In addition, in terms of population, the oblast is among three oblasts with the lowest rate of 932,914 people. It ranks fifth from the end in terms of average salary in the amount of 8,360 UAH. However, the income per capita reaches 58,290 UAH in 2019.

Khmelnyskyi oblast has an average salary of 8,672 UAH, which is almost the level of Volyn oblast, but it is lower than the average in Ukraine. The disposable income per person is 58,008 UAH.

In Kherson oblast, the disposable income per capita reaches 57,110 UAH, the oblast took second place in terms of the lowest average salary in 2019 in the amount of 8,187 UAH.

Income per capita in the amount of 55,537 UAH was recorded in Ivano-Frankivsk oblast, which is one of the five smallest oblasts in terms of area, but outnumbers Zhytomyr, Mykolaiv, and Kherson oblasts in terms of population. The average salary is 8,817 UAH in 2019.

In Rivne oblast, the average salary is 8,967 UAH but the income per capita reaches 54,183 UAH. And although Rivne oblast is larger than Ivano-Frankivsk oblast, the number of residents is smaller – 1,154,071 people in 2019.

In Volyn oblast, income per capita is 52,879 UAH. Volyn oblast is at the 20th place in terms of size but the average salary reaches 8,663 UAH, the population is close to Kherson oblast in terms of population.

Ternopil oblast has an income per capita of 49,843 UAH. It is a small oblast, larger than Zakarpattia and Chernivtsi oblasts only, and has the lowest average salary of 8,275 UAH, which puts it in the 4th place after Chernivtsi, Kherson and Chernihiv oblasts.

Chernivtsi oblast is the smallest in size and population, the income per citizen is 48,255 UAH. The average monthly salary of full-time employees is also the lowest among all oblasts in the amount of 8,066 UAH.

Zakarpattia oblast. Disposable income per person: 47,495 UAH. The oblast is small in area, however, Chernivtsi oblast is the smallest, but in population (1,252,463 people in 2019) it dominates many oblasts, such as: Zhytomyr oblast, Volyn oblast, Mykolaiv oblast, Rivne oblast, Sumy oblast, Kherson oblast, and Cherkasy oblast. The average salary is 9202 UAH in 2019.

Donetsk oblast has the largest average number of citizens in 2019 (4,135,969 people) and income per person in the amount of 39,141 UAH. These data are formed on the basis of available administrative data on state registration of births and deaths and changes in residence registration, according to the State Statistics Service.

Data on the revenues of oblasts are received by the State Statistics Service only from the territories controlled by Ukraine, which explains the low indicators of two oblasts: Donetsk and Luhansk, some of which are temporarily occupied. The average salary in Donetsk oblast is one of the highest in Ukraine in the amount of 11,716 UAH; it takes the second step after the city of Kyiv.

In Luhansk oblast, the average salary is 8,731 UAH, which is less than in Cherkasy, Rivne, Ivano-Frankivsk, and Lviv oblast. Luhansk oblast is larger than Donetsk oblast, and they are at the 10th-11th place in the list of the oblasts by the territory. Disposable income per person is 24,477 UAH.

As of November 1, 2018, according to the state statistics of Ukraine, about 42,000,000 people live on its territory. 2 million 906 thousand people live in the city of Kyiv, which is 14.4% of the total number. The population of Dnipropetrovsk oblast is 3,208,000 people, which is 13.1% of the population. We can see changes in the population of Ukraine since 1990 in Figure 5.

About one million Ukrainians are leaving the country in search of a better life and a better paying job abroad. Migrants transfer to Ukraine about 10 billion USD, which is 9% of Ukraine's GDP. In 2015, 1,000,000 migrant workers left Ukraine forever (such statistics occurred only in 2015, due to hostilities in the east of the country). In the last 2-3 years, about 300,000-350,000 young people have left Ukraine for good. The reason is the low cost of human capital (Yatsun, 2014). As a rule, the country's human capital should be 10 times its GDP at purchasing power parity (PPP). In 2019, the GDP per capita for PPP in Ukraine is about 8 thousand USD; therefore, the average cost of human capital per Ukrainian is 80 thousand USD. For comparison, the average price of one American reaches 700 thousand USD. It should be noted that the average cost of human capital of young Ukrainians aged 15-24 years is 160 thousand USD, and the human capital for retirement-age people of 55-59 years old is equal to 40 thousand USD. A Ukrainian of working

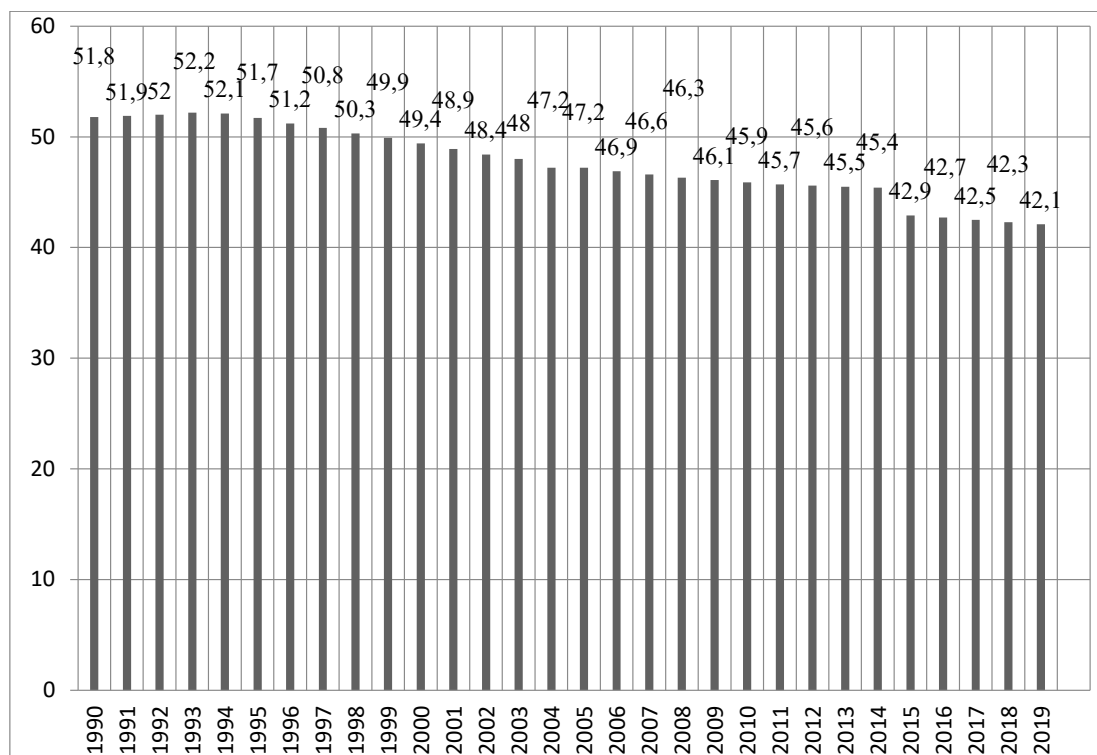


Figure 5. Dynamics of change in the population of Ukraine 1990–2019, (million people)

Source: formed by the author

age generates about 8,000 USD a year in the country. If he or she immigrates, the loss in Ukrainian GDP will be 8 thousand USD respectively. Now 300 thousand Ukrainians immigrate a year, accordingly, we can estimate the economic losses of Ukraine in the amount of 2.4 billion USD, which is more than 2% of GDP. One Ukrainian worker creates 26 thousand USD in Poland. If migrants are about 1 million people, they

Table 2

**Migration movement of the population in January – October 2018, (persons)**

Name of the oblast	Number of arrivals	Number of people who left	Migration growth, (-, +)
Ukraine	525747	515250	10497
Vinnitsia	19017	22238	-3221
Zhytomyr	18289	19409	-1120
Ternopil	19694	19973	-279
City of Kyiv	45010	34749	10261
Khmelnitskyi	22738	23227	-489
Lviv	31704	30413	1291
Kyiv	48201	25989	22212
Kharkiv	44576	40911	3665
Odesa	30850	25606	5244
Rivne	18665	20519	-1854
Dnepropetrovsk	34449	32237	2212
Volyn	14348	14818	-470

Source: State Statistics of Ukraine

annually form 5% of the country's GDP, which is about 26 billion USD per year.

Currently, we see economic growth in Ukraine, the rate of change reaches 3% – this is actually an indicator of lag, because the economic recovery requires an indicator of 10%. Based on the rapid growth of the country's GDP, the average wage will increase, create highly productive jobs, increase the welfare and income of every citizen, under such conditions, Ukrainian migration will decrease significantly and in 2023 the labour market may balance. Economic equilibrium can be restored at the level of 1990 due to the development of the processing industry and increased exports of finished products.

The study has showed that the largest population arriving in the city is concentrated in Kyiv. This is due to greater opportunities to realize people's potential and use professional qualities. We see a large number of citizens who have left their oblast in Vinnitsia, Rivne and Zhytomyr oblasts. The population is migrating in search of new prospects for professional development and career growth.

#### 4. Conclusions and practical recommendations

The most important direction of socio-economic policy of the government and the state should be to achieve sustainable positive dynamics of welfare of



the population on the basis of increasing effective demand, in particular, increasing wages for each employee.

In the operational programme, which is the part of the “Europe 2020 Strategy: in the center – the man”, the main goal aims to improve the standard and quality of life of the population, educational infrastructure, promotion of professional mobility of workers, improving the quality of educational services in accordance with the needs of the labour market, the implementation of effective migration policy

To improve the level and quality of life, it is necessary to increase wages and index them in accordance with labour efficiency ensuring the support of the purchasing power of the population through the indexation of its monetary income.

In the field of social protection, it is necessary to introduce fair principles of accrual of pensions depending on length of service and work, to bring the minimum pension to the level of the real subsistence level for persons with disabilities, providing cash benefits to the unemployed for the period of job loss.

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