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# **Part I: ACTUAL ISSUES IN MODERN PEDAGOGY**

## **FORMATION PRINCIPLES OF DEVELOPMENTAL TRAINING TECHNOLOGIES FOR TEACHERS WITHIN POSTGRADUATE EDUCATION**

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**Abstract:** *Presently there is a need in working out new training programs (technologies, methods) for teachers providing their personal and professional development. The research revealed that the principles are a theoretical base for working out developmental teaching technology for teachers concerning all components of the process. Among them are the following principles: coverage of semantic sphere of teachers in the learning process, the social context of adult education, the priority of personal and professional development of teachers' professional skills updating, ensuring of teachers' involvement in the process of generating new knowledge, understanding of the educational situation as the basic unit of teachers' postgraduate education; teachers' active involvement in learning activities; the integrity of the content, forms, methods and conditions of professional activities; development of reflective thinking. In general, they reflect the essence of technology that shall meet the needs of teaching practice for implementing a competence-based approach to adult education.*

**Keywords:** *principles, professional activities, pedagogical situation, developmental teaching technology, postgraduate education*

### **PROBLEM STATEMENT AND ITS RELEVANCE**

Challenges of modern European education have to face and determine the need for improving the quality and efficiency of education and professional development. In particular, it refers to the European principles of competence and qualifications of teachers, which stress the need for permanent professional development of teachers in postgraduate education [5]. This leads to a development of new educational programs (technologies, methods) that would react flexibly to new social significant goals and would be innovative in their approaches, objectives, content and methods of implementation. As Ukrainian education increasingly focuses on the implementation of the principles of competence-based approach, it also becomes a methodological basis for the development of adults' teaching technologies. Postgraduate education shall experience a transfer from the productive teaching technology to technology of new pedagogical tools mastering that would give a possibility to manage the process of learning rather than knowledge perception. One of the technologies requiring special teachers' training is a system of developmental teaching by D. Elkonina and V. Davydova. Its main feature is that teaching of young pupils involves mastering of scientific notions and ways of action that in general can be formulated as the personal development of young pupils. To train teachers it is necessary to develop innovative technologies which aim at mastering professional activity methods that may be carried out into teaching practice to implement developmental objectives of modern education. Prior the principles should be identified to reflect the peculiarities of adult teaching processes, the emergence of personal and professional changes that are indicators of the teacher's development.

### **ANALYSIS OF RECENT RESEARCH AND PUBLICATIONS**

Principles are the major educational categories that emerged as a result of the analysis of long-term practice. Their background is found in researches of Y. Komenskiy, Y. Pestalotsts, Y. Herbert, Z. Russo, K. Ushynskiy and H. Vaschenko. Nowadays the prevailing understanding of the principle is a general rule of activity that ensures its accuracy, but do not guarantee its uniqueness and success. Modern scholars consider the pedagogical principles as a "guiding idea, regulatory requirements and guidelines for the organization and implementation of the

educational process as a whole" [2, p. 98]. In the context of our research it is important that the principles would become the theoretical basis for the development of learning technologies. Nowadays in postgraduate education the most mature technologies are built on the principles of pedagogical learning models. They were effective under conditions of the teacher leading the process of learning. However, in modern world such technologies are less productive. Ukrainian scientist O. Vyshnevskyy emphasizes that developmental objectives of modern education require the development of new principles of education meeting the requirements of time and not contradicting each other [1, p. 119]. Regarding post-graduate education, the theoretical basis for the development of educational technology for teachers can serve the principles of andragogical model of learning.

### MAIN MATERIAL PRESENTATION

As we consider the principles as basic requirements to work out the technology of developmental education for teachers, respectively, they should apply to all components of the research within postgraduate education. Basic principles determine the general direction of the process to personal and professional development of teachers. Thus, *the principle of semantic sphere coverage of teachers in the learning process* related to the fact that new methods of professional work may arise in the context of, or in connection with a specific plan, which in its turn contains a sense of activity (value component of activities) and its objective. Therefore, without the sense actualization of professional activity, it will either be directed to the false sense or even be meaningless. Supporting semantic search value in teaching will add to both professional and personal development of a teacher. Educational objectives are to train teachers to see new sense of professional activities related to new goals of education. Since only realized new sense will enable new content of professional activities and ensure the correct identification and achievement of the educational objectives that are also developmental in their nature.

*The principle of the social context of adult teaching:* In modern social and cultural conditions a teacher should act on the basis of a specific social context. Correspondingly, new methods of professional activities should be adequate to certain social conditions which are determined by indirect influence of society, including social expectations. It is necessary that within the process of solving professional tasks a teacher considers the social context of teaching. It is well known that a human being is a social person, so his/her development, having a physiological basis, cannot take place outside society. It also concerns personal and professional development of teachers. As under the influence of various external factors change of value orientations occur, which structure different teaching activities, give them a different meaning. In such conditions, a teacher receives new values of teaching professional. Within a long term there was a training teachers tradition' by imitating certain patterns of professional activities. Nowadays a teacher should develop the ability to perform reflexive assessments by own, formulate and solve professional social relevant issues. Modern scholars (A. Verbytskyy, V. Semychenko and Y. Shvalb) highlight the need to refuse the knowledge issue of reproduction to the approach benefit, which is built as a process of generating knowledge.

*The principle of the priority of personal and professional development of a teacher over professional knowledge:* Since we defined the educational goals related to personal and professional development of teachers, it is worth mentioning that development is a holistic process that involves the integration of changes on a personal level. As a result of such training a person becomes different. On a professional level, these are the changes associated with "acquiring the ability to act" (by Y. Shvalbom). When talking about developmental education for adults, we do not mean the direct transfer from technology of developmental training of young pupils (by D. Elkoninym, V. Davydovym). In this case, we don't speak about the changes that are of primarily physiological basis. Regarding results of adult learning, they have no age restrictions. These are also changes, but they relate to professional work of the teacher, his/her ability to solve professional tasks of different difficulty levels, including those that involve the implementation of developmental educational purposes.

Rather, we rely on developmental approach to adult teaching, which refers to the way of discovery and appropriation of professional actions by the teacher.

*The principle of teachers' involvement into the process of generating new knowledge* oppose to getting their knowledge empirically and then practicing until the skill. This priority provides ways, forms and methods of teachers' training and learning content. Regarding the content, it is generating by adults who are acquiring new knowledge. The generating process provides a real understanding of the nature of pedagogical phenomena and ensures a subjective presentation and as theoretical generalizations, notions, schemes, concepts, in other words, as theoretical knowledge. On the one hand this is against the logics of acquiring new knowledge empirically. On the other hand it opposes to the logics of received knowledge developing into practice. The human who deeply understands the nature of phenomenon is a human who can think and carry it out to other activities. This ensures developmental training effects. In the process of generating new knowledge a person somehow enters the so-called general sequence of actions that in its essence are "algorithms of thinking" (how to think, to understand what to do). At the same time, partial algorithms concern more of what to do.

*The principle of understanding the pedagogical situation as the basic unit of training content of teachers in postgraduate education:* Actually the pedagogical situation itself in developmental is a unit of teachers' training content in postgraduate education. First of all, because it is part of a rich educational reality, the perception of which is subjective. It provides an opportunity to understand the essence of educational phenomena and to describe them in accordance with professional vocabulary. Understanding provides a personal meaning of a phenomenon that is why we say that a deep understanding of the teaching situation involves personal involvement of a teacher in the learning process. Initially, the educational situation is perceived by the learners as problematic or difficult. So the understanding of what caused the difficulty appears, as well as its reasons, purposes related to their decision and so on. Verbal formulation of the problem (difficulty), their causes, goals are actually provide a deep understanding of the necessity of teaching situations. In such a way the subjective awareness of the situation is revealed and transferred into objective. On the next stage of dealing with pedagogical situations there appears the construction of a model of the situation, search for a new knowledge, hypothesizing and their reasoning. Thus there is the situation transfer into the task. At the final stage the process of solving the problem, its self-examination takes place in order to match the result prior to predetermine goals. Selecting and requesting for new knowledge by the participants of training allows its integration into an existing system of professional knowledge. Since the work with the teaching situation does not occur spontaneously, but on the basis of clearly developed algorithm, it provides an opportunity to "see" the teacher: how he/she thinks (professional thinking), understands the problem, adapts to new conditions, changes their attitudes and understanding of the training process. The teacher also takes on new personality traits such as the ability to interact with others in the process of solving the problem, be constructive, ready to change, flexible, and so on, it is also a developmental effect of adult teaching.

*The principle of active involvement of teachers in learning activities:* The interaction of the participants with each other is due to the intention of getting other educational results relating to personal and professional development. Developmental effects appear as a result of interiorization (by L. Vyhotskiy), the transition from external to internal social action level. It provides the use of active and interactive teaching methods. Priority of the latter allows creating a completely safe environment for professional communication that is required to include teachers in the process of working on common teaching situations. V. Davydov made the assumption that mastering of any form of activity related to other people, can only be implemented in cooperation of "adult learners" and "masters". A comfortable environment in adult learning is considered to be an environment that encourages interaction with positive feedback and highlighted achievements. The benefits of active and interactive learning methods are opportunities for personal and professional development of teachers. In the process of active



involvement of teachers in discussions of pedagogical situations, their modeling, they gain a new social experience, including the experience of interpersonal and group interaction to solve the educational and professional objectives. It also adds personal attitudes to the development of critical thinking, revealing new sense of communication and interaction.

*The principle of the integrity of the content, forms, methods and conditions of professional activities:* This principle involves "consideration of an object in terms of internal cohesion, separated from the environment" [3, p. 32]. I.e. if as a result of teaching a teacher develops a general algorithm of action, then it is not a separate method or content, but the vision of a total picture where everything is in bonds. The point is that the quality impact in a particular situation (content, form and method of study) is not limited to the impact of each part separately. Each of these components is related and performs their functions. Thus, in the process of situation analysis it will be important what kind of situation is under consideration, how its modeling process will be arranged, discussion of the analysis, etc. Each of the abovementioned components has their own peculiarities of influence on teachers' trainings. So, the principle of integrity enables to solve global problems in teaching tasks that are related to personal and professional development of teachers, opposing to problems mainly related to the acquisition of knowledge. Moreover, neither the content nor the form or method of teaching is not a criterion of education quality. In this case the indicator is personal and professional development.

*The principle of reflective thinking:* A necessary condition for the development of the ability of teachers in developmental training to solve professional problems is the ability to think reflexively. Despite the fact that reflective evaluation is rather subjective, it is used in the learning process in order to identify the appropriateness of the planned objectives to real results. Reflection, primarily related to the knowledge of the teacher about himself/herself in order to improve their activities, grow as a personality, to achieve significant results. Also reflection enables a person to understand what he/she learned, compare their perception of thoughts, ideas and feelings to others. Due to the involvement into the learning process of adults in the stage of reflection; the teacher is the subject of an emotional impulse to the perception of any content of values and norms. Through reflection, a person creates their own new ways of acting (by V. Brushlynskym).

## CONCLUSIONS

The theoretical basis for formation of developmental training technology for teachers has appropriate principles. They serve not as separate ideas or requirements of the learning process but make certain integrity. It is a system whose components are the objectives and content of education, its technologies (methods, tools, etc.), the organizational conditions and results. Their theoretical basis makes it possible to take the next step, i.e. to design the technology of developmental training for teachers within postgraduate education.

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## POLISH AND GERMAN EDUCATIONAL SYSTEMS FROM THE SOCIO-HISTORICAL POINT OF VIEW

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**Abstract:** *The purpose of this work is to make the Reader aware of the fact how hard it is to compare the occurrences and processes which influence each other simultaneously. In order to achieve that, the author uses mainly examples of the German and the Polish educational systems. At the same time this reading leads towards conclusions which may be drawn regarding differences in the cultural message passed by both those societies. In order to do so, the author uses terms borrowed from the subject's literature, referring both to contemporary times as well as to the past history.*

**Keywords:** *Germany, Poland, educational system, tradition, comparisons, middle schools, matriculation*

It is quite a popular perception that the Polish educational system fulfills the concepts of education including traditions of the western European countries. There are attempts being made towards proving such a thesis. Naturally, a whole series of examples can be quoted, which are to make that statement credible. It will be even easier if we choose a broader, European scale perspective. Let us use the analysis while using a few examples:

1. In Poland, similarly to Denmark, Finland and Sweden, school starting age is 7 [7, p. 32].
2. Primary and middle schools are all coeducational, they accept children and youth without any preselecting, they are free of charge and obligatory by law. Such regulations are present both in Poland and Spain [9, p. 621].
3. State universities studies are free of charge (however students are charged for being members of various students' organizations), and marks from the matriculation exam of the high school degree are not a deciding factor for being admitted. Such regulations are present in Poland as well as in: Denmark, Finland and Germany [7, p. 9].

There are plenty of examples of such a kind. Their amount will mainly be dependent on the knowledge of details concerning the functioning of educational systems in Poland and other European countries.

This situation is similar as if we compared a human body to animal bodies. Surely we can find lots of similarities in that aspect. We, people all have:

1. Eyes similar to those of amphibians.
2. Constant body temperature organisms such as birds.
3. Lungs similar to other superior creatures.

Let us try and lead our considerations in a different manner. We have to find differences between the Polish and the German educational systems. The latter one is a representative of western European countries. In context of the above biological comparison, it is as if we were wondering about the differences between the human and the gorilla body. We are going to name examples and conduct analysis, first looking into general areas, and then proceeding towards much more detailed issues. Given examples do not provide a detailed description of course. They are merely an attempt to show the whole complexity and, at the same time, difficulty of making such comparisons.

Let us begin from the most general issue – the definition of school. Our etymological consideration we shall start from finding a proper definition in a dictionary written by Wincenty Okoń: "Greek 'Scholē' – peace, free time devoted to studying" [8, p. 383]. Further on, there is a detailed explanation of three different ways of understanding this word (an institution, a building, a direction in studies). The author of the definition focuses around the

change which took place on the turn of the ancient Greece and Rome periods. He mentions, that during the latter one schools became institutions for mass teaching.

A bit different text can be found in a similar German book which has a comparative basis of content. In a Winfried Böhm dictionary we can find a term, which in author's free translation states the following: the Latin word *schola* from Greek *scholé*: to be free from interests [1, pp. 477-478].

The text, similarly to its Polish equivalent has been put in brackets, after which follows the main explanation of the term. Author's free translation states: in the antique times [the term *school* meant] *a necessity, for the free citizens, for the spiritual education*.

The difference is exceptionally subtle. If we combine the two texts: "peace, free time devoted to studying", and "the necessity, for free citizens to spiritual education". The basic issue is a question: are we allowed forgetting that Athens' political system, in ancient times, was based on slavery? Education, at that place and time, was only granted to free citizens (males!) No wonder then that school in those times was a place where most patriotic, noble, country serving ideas were originating. Elementary skills, such as reading, counting, and writing were provided by homes. At the same time adding the word necessity, in the German definition makes us realize how deep the "roots" of our contemporary school duties are.

Another question arises here: why in Polish literature those "details" are frequently not noticed, and in Germany it is just the opposite?

Let us reach to the possibly most drastic association, going back the times of Hitler. In 1934 central Ministry of Reich for the Upbringing, Teaching and National Education (*Reichsministerium für Erziehung, Wissenschaft und Volksbildung*) was brought to life. The rule that each land was responsible for its own education no longer applied. In Germany it is what you can call "the cultural supervision of lands". Power was centralized. Educational law, passed by the mentioned earlier ministry did not leave room for interpretation only up to 10% women were allowed to study at universities of the III German Reich, at the same time banning all private educational institutions [6, p. 167].

The resemblance to what was happening in the ancient Athens seems to be obvious. At this point the studies issue of citizens under Hitler's occupation is deliberately omitted for the fact, that certain association might define country's political system too clearly.

Could that be the case, that in Poland there was reluctance towards seeing such obvious similarities in previously mentioned fields of consideration? Is it possible that the need to idealize the ancient state was stronger than the tendency to disclose the Nazi type state of the III Reich? Defining it in a more radical manner - it is better not to remember what used to happen in the Nazi Germany, than to suspect ancient Greeks of similar practices. For it could later turn out that the Nazi regime was only different in the scale of applying various regulations and social rules.

The mentioned sample refers to the management of the Reich's Ministry, Teaching and National Education, makes us aware of another, extremely important difference between education in Germany and Poland. In case of the latter one, it is centrally managed by the Ministry of National Education (educational system). Regardless whether a child attends school in Gdańsk or Katowice, the educational system is uniform everywhere. Never before, excluding the Nazi era, have such a situation had place in Germany. The Weimar's Republic used to be a cooperative of many states, each of which had their own educational system, just as it has been taking place after the Second World War. The Federal Republic of Germany has currently 16 educational systems, 16 ministers of culture (responsible for that sector), 16 ministries of culture, 16 state parliaments, 16 constitutions...

Varieties in that area are not only limited to their names. Each land has its own educational structures, procedures, legislation, programs, contents of educating, etc. Diversity in that field is enormous. Even names and types of school are different.

However, there are also similarities between educational systems of lands, and those were agreed to by the 16 ministers of culture. As some examples we can give:

1. Primary schools (usually 4 grades) functioning in a similar ways throughout the whole Republic.
2. Second degree reformed middle schools run in accordance with the Bonn Reforms from July 7th 1972.

However, at the level of high and vocational schools the diversity, even of the same structures, is huge [4, p. 40]. It is not even possible to translate into Polish all of the names in the sector mentioned as the last one [4, p. 59].

Reforms from the 90s of the XX century in Poland created what we call today I and II degree high schools (middle schools were introduced), nevertheless the educational system remained centralized. Had that happened, Polish educational sector would have been able to provide, thanks to its diversity, rich experiences within the pedagogical area. Another conclusion can be drawn from this statement: we shall take advantage of German experience when it comes to education.

Such a statement could be seen as too general. Let us try to use an example then. In the Federal Republic of Germany around a quarter of studying youth receive their matriculation degree. Along with that, they obtain a chance to further pursue their studies at a university. Because of "cultural supervision of the lands", that number differs depending on a given region in Germany. Bavaria prides itself on an excellent number of high school graduates, however there are fewer of them, that the country's overall statistics show 19,9% per year [3]. It is already causing educational migration of citizens. Young people (nearly adults and sometimes already adults) change place of their residence realizing that they may come across some difficulties staying at their current location of studies. Moving let us say, from Bavaria to a neighboring Hesse does not seem to be any problem. It is a problem, however, finding a proper II degree middle school, where one would be able to continue studies and then obtain their matriculation. Thanks to their mobility and communication skills, German youth are almost 100% guaranteed to achieve a success on that level. Bavaria is a labor union country with domination of Roman-Catholic faith. As a result, their educational system is traditional, elitarian and very demanding. Hesse's educational traditions, on the other hand, are different, i.e. more liberal, democratic, sometimes even a bit leftist.

It is also important to bear in mind that German youth do not associate good education with highly paying jobs. The author of this work had an opportunity to practically research this matter. The results were published both in Poland [4, p. 126] and in Russia [10, p. 123].

Young people, as well as the older generation unanimously claim that even 20% of youth of a given year who obtain high school diploma in Germany, are enough to provide the country's proper functioning. Many recall that amount to have noticeably increased. It is enough just to stretch the time frames of our consideration. In order to do so, we can use a quotation:

"To correctly estimate this number one has to understand, that at the turn of XIX and XX centuries the share of high school graduates was around 1% whereas nowadays it is over 20%" [2, p. 24]. It is important to remember that the origins of matriculation exam in Germany reach back to 1788. It was introduced to Prussian schools and in 1834 passing of it was an essential requirement to undertake further higher education [9, p. 10].

In Poland large emphasis is put on increasing the number of high school graduates (and thus university students) let's say 70% of a given year (even at a cost of lowering exams' criteria). This tendency is clearly visible from the "German perspective". Such a conclusion could be drawn after reading text written by Wolfgang Hörner in *Bildung und Erziehung* magazine from 2002. The author claims that "it was a feature specific for similar processes from the end of the 80s in France, that the educational authorities of our country would aim at having 70-80% people leaving high schools hold their matriculation" [5].

Can we call it then, in this context, fulfilling western traditions related to the system of education?

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# OBJECTIVE ASSESSMENT OF TRAINING OF STUDENTS ON THE COURSE MICROECONOMICS: PROBLEMS AND SOLUTIONS

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**Abstract:** *The article considers the problem of formation an objective assessment of students' knowledge in the discipline of microeconomics. It marks non-standard teachers' failure to comply with requirements in the preparation to the test cases. It assesses the quality of tests, including the following characteristics: validity, differentiating strength and attractiveness of distracters. It generates proposals for the development and analysis of control and certification of educational materials for tests in the discipline "Microeconomics".*

**Keywords:** *microeconomics, testing, control and certification pedagogical materials, validity, distracter, test*

## INTRODUCTION

Microeconomics was recognized in Russian universities as a component of economic education and included a quality of an obligatory discipline in educational standards for public economic institutions only in the mid 90's of the 20<sup>th</sup> Century. At the same time in Russia appeared textbooks translated into Russian language of P. Samuelson, K. McConnell and S. Brue, E. Dolan, Pindyck and Rubinfeld. The inception of teaching at Russian universities allowed apprehending all accumulated world experience of teaching at thus; there was a need to adapt the techniques and methods of teaching considering Russian specifics in education and the level of training of Russian students, etc. Teaching of microeconomics allows using a wide range of learning methods, such as traditional solving of the tasks, discussing problems, cases and business games. Russian teachers have collected a sufficient number of examples out of economic practice. Many Russian microeconomic textbooks appeared in different degrees of complexity, allowing students to find a tutorial relevant to their needs. However, microeconomics is still perceived by students as one of the most difficult disciplines, many students have difficulty in taking the exam. Nevertheless microeconomics is logically well-composed, interesting and useful for the formation of the economic outlook, a discipline which should not provoke, according to the authors, particular difficult, at least in the initial and intermediate level of training. The article is devoted to the problem of evaluating the results of studying the discipline.

## MATERIALS AND METHODS

Microeconomics allows using different forms of control when there is a need of evaluating the results; included testing systems allow showing weak spots in current and final preparation of the students to identify groups of students with different levels of readiness in order to provide objective exam evaluation. In developing the CPM (control and certification of educational materials) it should be taken in mind that the possibility of obtaining an objective and reliable assessment of a student training is determined not only by the quality of the index (OPM), but also by observing common conditions (standardized) conduction and evaluation of the examination papers. In order to standardize measurements we should define the tools, which ought to complement the CPM: the instruction for the person conducting the examination, the instruction for the student how to work; the instruction for testing and evaluation of assignments (including an objective scoring criteria for performing tasks) as well as the instruction for general evaluation of the work. Typically, for the analysis of the test items (during the development phase of the test and after they were written) are used

expert methods and after they were implemented in pilot testing statistics. As a results application of these methods can be a qualitative and/or quantitative evaluation of the individual tasks and/or test in general. Using statistical methods, it is possible to assess the reliability, validity of the test and check tests for parallelism, etc. The most common used theories for analyzing the test are classical and contemporary (IRT).

Methodological bases covered in the test papers of V.S. Avanesova [1, 2], H. Eysenck, M.S. Bernstein, A. Binet, S.I. Voskerchyana, S.G. Gellershteyna, T.A. Ilina, E. Klapareda, K.A. Krasnyanskaya, T. Cimona, R. Thorndike, W. Stern, T. Keeley, V. Henmonai, etc.

Testing problems after the resolution of 1936 "About pedagogical distortions in the People's Commissariat" in Soviet pedagogical and psychological literature for a long time didn't deal with those problems until the 60s of the 20<sup>th</sup> Century. From the mid 90's testing was widely used in Russian universities. It was not always realized a correct treatment with the test methods of evaluating and controlling knowledge. As a rule Russian teachers do not have of special knowledge relating to the development of the tests and don't follow their approbation. Incorrectly drawn tests do not allow identifying the real difficulty and differentiating tasks and the ability to work as a whole; to distribute students into the level of training; and to establish a connection between the results of each task and the entire work. They leave the student in a feeling of bias resulting estimation, and in misunderstanding how to improve results.

The authors noted the typical non-observant requirements of teachers in the preparation of tests for the following paragraphs there: the overall structure of the CPM and the principles of selection of the contents of the CPM that ensure their validity, the number of tasks in the work, types of the tasks and assessment of their performance, the ratio of the types of tasks in the work; number, type, complexity of tasks in each part of the work, the time to perform the CPM options, lack of validation of the CPM. The aim of the study was to develop a version of CPM, providing to obtain an objective assessment as training students in the microeconomics, as tasks and test in general, which is the form of the final certification. Specification was co-presented in accordance with the requirements of state educational standards of the Russian Federation for the discipline "Microeconomics". The structure of work answered to the goal to provide final certification and differentiation of students. We used a single type of task-choices of four options. Part 1 contained the baseline task, where it was required to apply the knowledge in familiar situations. Results fixed an achievement the level of mandatory training, "satisfactory". Part 2 included the tasks heightened level of complexity, where it was required to apply the knowledge in a modified situation. The goal is subsequent differentiation in levels of training as "good" or "excellent".

Based on the specification, 2 variants of the original test were developed. For implementing the first and second task 1 or 2 points were given. After validation the test was conducted by an expertise in order to estimate the quality in common, and formed recommendations to the developers of the test. Expertise contents of the test involved the following steps: identifying failures in content or form of the tasks, determining the baseline, assessment of the importance of the tasks (0, 1); determination of the expected percent of implementation of the test by examinees with satisfactory preparation; determination of the expected percent of implementation of the test on selection where examinees with different level of preparation are evenly presented; definition of time for performance of each task; definition of extent of coverage of requirements to level of training of examinees in all versions of the test; check of compliance of proportions of the maintenance of dough, to proportions of the content of discipline; check of compliance of the maintenance of dough to the content of discipline; formulation of recommendations to the developer for correction. Drawing up option of KPM was carried out on the basis of results of performance of the chosen options of KPM. The assessment of objectivity of the data characterizing performance of tasks was carried out on the basis of answers made by the group of experts on each task. The assessment of tasks quality was carried out according to the following characteristics: the validity, the differentiating force, appeal of distracters [3]. Considering the example of Option 1, quality control tasks:

a. The validity of a task is estimated by means of rpbi (point-bi serial) coefficient, rpbi value belongs to an interval (0.05; 0.712). Two negative values (-0.121; -0.268) at questions 3 and 10. It shows that these questions work in the opposite direction, i.e. the worse the student is prepared, the higher the probability that he will answer this question. Questions 3, 40, 37 are very poorly differentiated students. Thus, the majority of tasks can be considered valid.

b. The differentiating force of a task is estimated by means of a discrimination coefficient, the value of coefficient belongs to an interval (0.1-0.85), except for tasks 3 and 10. Negative values of coefficient of discrimination (-0.15; and -0.2) tells that they incorrectly differentiate the students. Considering that at these tasks negative coefficient of correlation, it is necessary to remove them from the test.

c. The distracter is considered accepted if it is chosen by not less than 5%. One of distracters of the following tasks doesn't meet these requirements: (1: c = 1.4%, d = 0%, a = 1.4; 3: b, c = 0.8%, a = 1.4%, etc.). If the task has validity and high discrimination coefficient when including the task, it is advisable to replace the distracter for a more attractive one.

To provide legitimacy of comparison of informational content of tasks, the analysis of parallelism of options, comparison is used: the general statistician (average primary point standard error of primary point, standard deviation (classical analysis, visual); distributions of difficulty of tasks to axes of difficulty (conquest). Comparison of the general the statistician taking into account standard mistakes that show an average of value PP (primary point) in version 2 below than in option 1. Respectively, it is possible to assume that the 2<sup>nd</sup> option is slightly more difficult than 1 option. Options 1 and 2 are similar according to the contents since they are made according to the same plan. They have identical anchor tasks (1, 2, 4, 6, 8, 9, 12, 15, 17, 37) and (2, 5, 6, 8, 9, 15, 17, 34) respectively. A similar picture shows a distribution of primary points by two considered versions of the test (Figure 1).

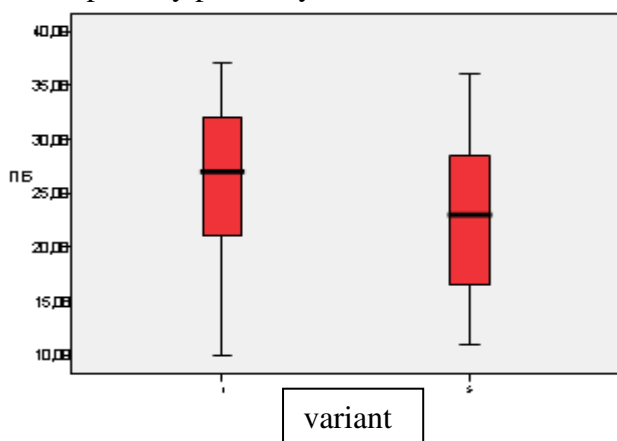


Figure 1: Distribution of primary points to versions of the test

For checking the reliability of data the analysis on anchor tasks is carried out in different options. The received distribution is close to normal, presence of a two-modality is explained by the principles of creation of dough (allocation of two parts). It was revealed, the more the student has a GPA and the more points are gained on anchor tasks, a high probability of the answer. As a whole the successful choice of anchor tasks in options, performance of anchors in options 1 and 2 in parallel are noted. Important analysis stage of KPM is the assessment of reliability of tests. On the basis of the received coefficient of Alpha = 0.8615 the conclusion about sufficient reliability of tests was made. Thus, if to exclude from dough, for example, question 40, reliability of dough increases to 0.8657. Such change is not really considerable; therefore such questions can be not deleted if other characteristics on a question satisfy requirements. By drawing up the most informative version of the test features of distributing abilities in the joint selection of students are considered. The selection of tasks was based on use of the information function developed by A. Birnbaum and constructed on the idea of minimization of an error of measurement variable, allowing to estimate not only



the informational content of the test as a whole, but also each of its tasks separately. Options of KPM at which practically coincide the information curve (Figure 2) made on two different plans, for check of the same abilities including the tasks differing on the contents and level of complexity were as a result received. Therefore, it is lawful to any of these options to use a measurement for training students.

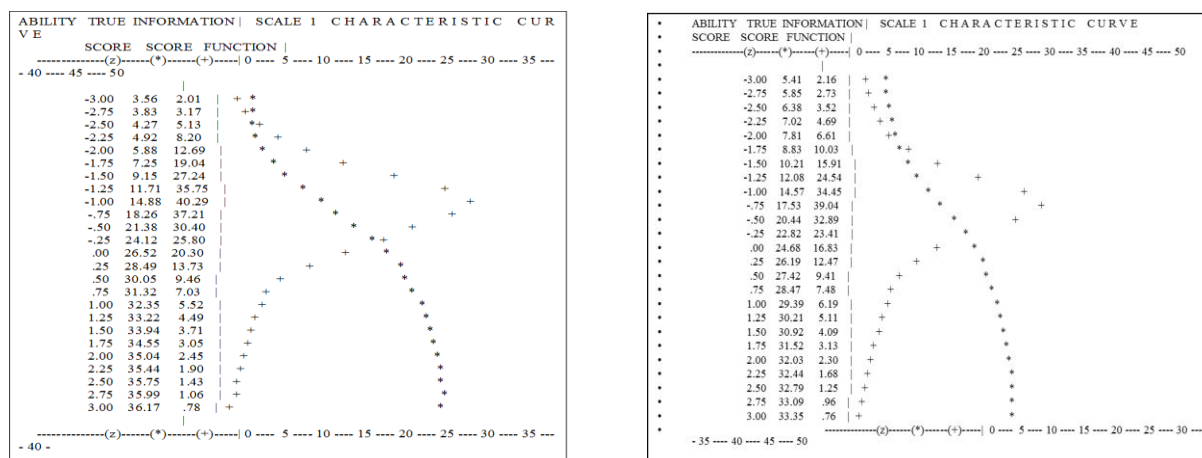


Figure 2: Informative curves of options

Carrying out testing allowed differentiating estimates of students taking into account readiness and as to reveal subjects in which incompleteness of knowledge was observed. After carrying out testing results were discussed with students. Students estimated the test as follows: "not really difficult though it was necessary to think". As a whole, students noted that the test allowed to estimate objectively their knowledge, and as adequacy of an assessment to the spent efforts. The students who have received an assessment "unsatisfactorily" received information on the reasons for which their level of readiness is insufficient for a total positive assessment. We will note that the test didn't allow receiving a mark "perfectly" to the students able quickly to analyze a situation, but not fully owning a conceptual framework.

## DISCUSSION AND CONCLUSION

It is obvious that developed options of KPM have to undergo a testing at least on limited selection. An inspection of options is offered to be carried out at the end of a semester on selection which includes not less than 100 pupils. These requirements define the need of development of preliminary options of KPM one year prior to their use. Experience of monitoring of training of students shows that carrying out approbation of separate tasks possibly within academic year in process of studying of the corresponding material. At approbation of options it is important to define: real difficulty of tasks for students; differentiating ability of tasks and work as a whole to distribute students on preparation level; communication between results of performance of each task and all work; necessary time for performing each part of work and all work as a whole. It is necessary not only to develop methodical bases of testing for institutes taking into account basic features of studied disciplines, but also to train teachers in bases of preparation of KPM. As a whole, the Russian practice, in our opinion, pays not enough attention to the problem of a choice of forms and methods of an assessment of results of trainings, and to objectivity of an assessment of results.

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# PECULIARITIES OF FORMATION OF PROFESSIONAL THINKING OF PROSPECTIVE COMPUTER SPECIALISTS

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**Abstract:** *The article considers the problem of the development of professional thinking of prospective computer specialists. The development of professional thinking of prospective computer specialists is a result of a purposeful, complex and long-term educational process. It has been proved that professional thinking of a prospective specialist is a complex systemic combination of logical, scientific and practical thinking, which can be described as a process of solving professional tasks that combines multidimensionality, functionality, heuristics, creativity, constructiveness and logics.*

**Keywords:** *thinking, professional thinking, components of professional thinking, professional activities, educational process*

## INTRODUCTION

The main goal of a modern Ukrainian system of education is to create conditions for the development and fulfillment of every individual as a citizen of Ukraine who is able to learn continuously and develop the values of a civil society. Education is an integral part and an original function of a social organism, which is in constant development [1]. Teacher training is one of the most important tasks of a modern system of education. The integration of innovative processes and the transition of the modern society to the information age requires from the system of higher education to be able to provide intelligent and skilled professionals whose level of qualification is predetermined by the development of their professional thinking. Quality teacher training is one of the most important conditions for the successful further development of the system of education, which actualizes the problem of the peculiarities of the development of professional thinking of the prospective computer specialists. Development and professional growth of the prospective computer specialists make us understand that the organization of the educational process, forms, tools, and teaching methods should be based on the knowledge of an abstract thought processes during the formation of knowledge and skills in using computer hardware, computer technologies as system and application software. While solving professional tasks, prospective computer specialists think in terms of the categories and methods of their science and therefore they develop a kind of professional thinking which is predetermined by the peculiarities and specifics of their activities. The aim of the article is to determine the peculiarities of professional thinking of prospective computer specialists.

## MATERIALS AND METHODS

Development of professional thinking of prospective computer specialists provides an understanding of the fact that psychological and pedagogical basics of the learning process are defined both by the properties of the human psyche and the development of their methodological thinking, which is inherent in a particular discipline of scientific thinking, research pedagogical thinking and applied pedagogical thinking in the learning process. The development of mechanisms of professional thinking of prospective specialists lies in an interaction and combination of personal and professional aspects, that is, in the learning process there arises a knowledge synthesis of the prospective specialists' thinking, which leads to the development of their professional knowledge. During the acquisition of professional knowledge by prospective specialists, there is an interaction and development firstly of a special scientific developmental thinking, and secondly, the psychological mechanisms of familiarization with computer concepts, rules, theories, algorithms, programming and algorithm tools and so on. These are two inseparable sides of professional thinking of the prospective specialists.

In the educational process, forms, tools and teaching methods should be based on the knowledge of an abstract thought processes, physiological characteristics of the formation of knowledge, skills and abilities. Generalizing over view of the nature and specificity of thinking is presented in researches' works of S. Rubinstein [13]. The problem of thinking has widely been reflected in psychological and pedagogical literature in the works of V. Ananiev, G. Kostyuk, A. Brushlinskyi, L. Vygotskyi, O. Leontyev, S. Rubinstein and B. Teplov. Different aspects of prospective specialists' professional thinking have been discussed by O. Abdulin, M. Alekseev, T. Andronov, T. Gusev, I. Dubovin, A. Markov, M. Kashapov, Y. Kulyutkin, E. Osipov, A. Sokhor, V. Slastenin, V. Tamarin and Ya. Turbovskyi.

According to the theory of activity, human activity has many types and forms with employment being their genetically starting point, but their basic principle is to consider the psyche as a mental activity where the psyche is not just a system of images, but also activity in the form of actions and operations. All activities have a common structure: the needs and motivations, objectives, actions, and operations. Successful completion of activities in accordance with the theory of gradual formation of mental actions is a system of conditions: a) the particular purpose and object of the action; b) the nature and order of operations included in the action, and c) the peculiarities of the means used. The central object of this theory is action which serves as the unit of any activity, and learning is seen as a system of specific activities, the implementation that leads to new knowledge and skills [14].

The key component of the prospective computer specialists is their professional thinking, which in turn is determined by the intellectual activity in solving professional tasks. Thinking is an active purposeful activity during which a person studies both the available material and the incoming material; he/she separates the external, random, non-essential elements from the basic, internal ones which reflect the nature of the situations under study and reveal the relationships between them.

The professional thinking of the prospective specialists is a complicated systemic form of logic, scientific and practical thinking, which is directly caused by the subject of professional activity. From Markov's point of view, professional thinking is an important aspect of the process of professionalization and a precondition of successful professional activity [9].

According to A. Zanichkovska, professional thinking of the prospective specialists has the ability to: analyze the phenomena of reality and facts in their integrity, interrelation and interdependence; correlate professional actions with the objectives and the results of a particular situation; analyze and synthesize phenomena and processes; to distinguish between truth and falsity; observe the genesis of interference of certain processes and phenomena; use all types and ways of thinking in mental practice; abandon existing patterns and stereotypes in order to find new evaluations, generalizations, approaches and actions; move from the abstract to the concrete in theory and practice and mentally move in the opposite direction; use theory and new ideas in practical, creative search; relate the tactical and strategic actions; practically apply the logic of facts and convincing arguments in dialogues with others; possess mental flexibility and efficiency [6].

Some authors [10] have isolated seven functions of professional thinking of prospective specialists, five of which (explaining, diagnostic, prognostic, projective and reflexive) are associated with the forms and methods of scientific thinking. However, all these functions including the last two (control and correction of the educational process, and communication) suggest creative mental actions in one way or another. N. Povyakel in her research believes that in professional thinking the leading role is played by the characteristics of both theoretical and practical thinking: practicality, constructiveness, technology, promptness; productivity, creativity, research, initiative, flexibility, speed, elaboration, openness; consistency, logic, dialectics; organization, self regulation, reversibility, etc. Professional thinking comprises both reproductive and productive and creative components. Manifestation of creative activity and creativity determine the level of development of professional thinking [12]. Considering professional thinking from the point of view of activity approach to learning [7], gradual formation of mental

actions [2, 4, 5, 14] and multi-phased personal growth through a gradual achievement of the goals, it can be described as a complete process of solutions to educational problems, elements of which comprise multidimensionality, functionality, usability, orientation, heuristic, creativity, constructively, creativity and logics. The peculiarities of the development of this process depend on the subject specialization of prospective specialists.

## RESULTS

Professional thinking of the prospective computer specialists is revealed in a synergistic unity of scientific thinking, creative thinking, logical thinking, algorithmic thinking and methodical thinking. Scientific thinking in any branch of science is based on laws, forms and methods of logics, both formal and dialectical. Thus, the scientific thinking of the prospective specialists needs logical culture, which is reflected in the ability of a person to reason correctly, identify concepts and use them to perform evidence, to suggest hypotheses, to reveal contradictions, and to organize and classify the acquired knowledge.

Scientific thinking of prospective computer specialists determines the ability to integrate scientific and theoretical material in order to solve meaningful tasks and intelligent, logical, creative skills for their generalization, separation, analysis and synthesis. Scientific thinking of prospective specialists has specifics, which is determined by the specifics of computer science and the general laws of the logics of scientific research. A. Petrovskyi describes creative thinking as cognitive processes that allow people to solve problems that cannot be solved using the methods already known to the mankind [11]. According to J. Guilford, the essence of creative thinking can be revealed via the following peculiarities: original and unique ideas, aspiration for intellectual novelty while solving a task, the ability to see a subject from a new angle and produce ideas in an uncertain environment [2].

Creative thinking of prospective computer specialists is based on the use of acquired intellectual knowledge with the aim of solving unusual professional tasks, making creative decisions, getting new results, approaches and methods in professional activities. The development of creative thinking is predetermined by solving professional tasks with adequate professional experience.

Logical thinking of prospective computer specialists refers to the ability and skills of the prospective specialists to conduct simple logical steps independently (analysis, synthesis, comparison, generalization, etc.) as well as complex logic operations (making an objection, statement and denial arguments as a construction of contemplation with the help of different logics, inductive or deductive).

The development of algorithmic thinking requires special purposeful methodological work on the basis of compound, complex formation of logical knowledge and skills of prospective computer specialists. Algorithmic thinking is an entity which is predetermined by the formation of a system of thinking mechanisms, actions, methods, and techniques designed to solve theoretical and practical algorithmic problems. Methodical thinking of prospective computer specialists includes not only the knowledge of the thinking associated with the profession, but also the ability to interpret didactically acquired knowledge, logics and methods of the profession. Methodical thinking is developed in an interrelation of logical thinking of a prospective specialist, logics and methods of the specific computer training courses and functions of professional thinking. Based on the research results and taking into account the development of professional thinking on future specialists, we distinguish the following components of professional thinking: motivational, active, intelligent, structural, and prognostic [7]. The motivational component involves mastering the whole content of activity via forming a promising and internally motivated lines, actions, social attitudes, interests, needs, motivations, which induce professional activity. The activity component is a system of actions aimed at solving educational and pedagogical tasks as well as being ready to act in a professional system. Such actions are related to the analysis, generalization, classification, perception and evaluation of level of readiness for professional activity. This component demonstrates the effectiveness and efficiency of intellectualization of activity and readiness for practical application of knowledge and skills.

The intelligent component allows the acquisition of constructive, logic, heuristic, innovational skills and abilities for professional activities. This component acts as a generator developing prospective computer specialists' mental abilities, actions, and the ability to analyze and generalize, to think outside the box and to make important professional decisions.

The structural component consists of activities that are focused on planning, design, simulation and training for professional and scientific activities of prospective specialists, manifested in their ability to focus on the ultimate goal as well as their achievement of tactical objectives. This component helps to generalize information analytically and to design teaching and professional activities taking into consideration new ways of professional training.

The prognostic component involves the use of acquired knowledge and skills of abstract, creative, and logical thinking. This component exposes the ability to predict the results of one's professional activities, including development strategy of vocational education with a prospect of predicting the future state of readiness for professional activity.

## DISCUSSION AND CONCLUSIONS

Thus, the professional thinking of prospective computer specialists is predetermined by their activities in the computer industry and is aimed at solving professional problems. Developing professional thinking will allow prospective computer specialists to significantly increase the level of their training in the subject of professional activity and to achieve a higher level of professionalism.

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# ELDERLY PEOPLE IN POLAND VERSUS HUMAN RIGHTS

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*Szkoły Wyższej im. Pawła Włodkowica w Płocku, Poland*

**Abstract:** *All human rights enforced by the European Convention on Human Rights, the Constitution of the Republic of Poland as well as the Act on Elderly People have been concentrated on activities bearing a particularly significant practical meaning: the right to social security, health-care, the right prohibiting torture as well as cruel and degrading treatment, the right to respect for private and family life. The aforementioned rights have been introduced to the benefit of elderly people in Poland. However, their application depends on a number of factors.*

**Keywords:** *human rights, welfare, elderly people*

## INTRODUCTION

In Poland the most important normative act ensuring every citizen the possibility of exercising fully the human rights they are entitled to, is the Constitution of the Republic of Poland of the 2<sup>nd</sup> of April 1997. It defines rights, including those defined by the European Convention on Human Rights, the European Social Charter, the Universal Declaration of Human Rights adopted by the UN and others. Therefore, human rights in Poland are widely supported, not only by the provisions of our Constitution, but also by means of ratifying international agreements concerning these issues.

## MATERIALS AND METHODS

The Constitution of the Republic of Poland recognizes that the inherent and inalienable dignity of a human being constitutes a source of freedom as well as human and civil rights. It is inviolable and public authorities are responsible for its respect and protection. All citizens are equal before the law. Every person has the right to be treated equally by public authorities. It is not allowed to discriminate anyone in political, social or economic life for any reason. The provisions of the Constitution also guarantee every citizen freedom to choose their careers and workplaces, whereas limitations within this area may be placed solely by way of legislation. Obligation to work may be imposed only by way of legislation. Moreover, only an act may define minimum wage or the manner of its calculation. Every citizen is entitled to social security in case of incapacity to work due to illness or disability as well as after reaching retirement age. The coverage and form of this security must be defined by an act. A citizen remaining unemployed unintentionally, without other sources of income, is also entitled to social security. The coverage and form of this security must be defined by an act. The Constitution also guarantees every citizen the right to equal access to health-care as well as to publicly-funded health-care services regardless of their financial situation. Terms and conditions for using said services must be defined by an act. Moreover, public authorities are obliged to provide particular care for healthy children, pregnant women, people with special needs and elderly people. As it may be seen from the aforementioned, norms included in the Constitution ensuring the application and observation of the numerous rights and civil liberties understood as human rights also include entitlements for legislators to regulate conditions for exercising these rights. Therefore in the context of issues raised in this paper concerning the human rights of elderly people, statutory regulations, apart from the Constitution of the Republic of Poland, are also important, the most significant of which are: The Social Assistance Act; The Act on Publicly Funded Health-care Benefits; The Act on Pensions from FUZ (Health Insurance Fund); The Act on war veterans and certain victims of war and post-war repressions; and The Act on Family Benefits. By implementing instructions included in particular provisions of the Constitution, these acts determine legislative framework for exercising human rights in Poland. All human rights protected by the European Convention on Human Rights, the Constitution of the Republic of Poland as well as the Act on Elderly People have been

concentrated on activities bearing a particularly significant practical meaning: The right to social security, The right to health-care, The law prohibiting torture as well as cruel and degrading treatment, The right to respect for family and private life. The right to social security needs to be understood as widely understood social assistance. Social assistance is aimed at helping particular people and families overcome difficult life situations which they are not able to overcome using their own potential, resources and rights. Public authorities are responsible for dealing with social assistance, i.e. local government (communal, district and provincial units) as well as bodies of government administration.

## **RESULTS**

Public authorities carry out numerous tasks in favor of citizens described in legislative acts; they provide services using public institutions established and administered by them. They may also delegate public duties, e.g. services to social organizations and private companies. When delegating public duties to institutions or organizations, public authorities are still held responsible for the quality and standards of the commissioned services. Assistance provided has an individual character since every person has different expectations because of their age, state of health, special needs or environment. Social assistance is rendered in the form of financial support or, for example, accommodation at a nursing home or support centre and the like. An elderly person may seek assistance within: care-providing services (assistance in meeting everyday life needs such as groceries, hygienic supplies); specialist care-providing services (assistance adapted to the requirements resulting from special needs or state of health); health-care at institutional care centers or clinics (this applies to people who require intensive health-care); accommodation and services provided by nursing homes (for people requiring round-the-clock care due to their age, state of health or special needs, for whom care-providing services are not sufficient as these cannot be rendered at their places of residence).

A nursing home should offer basic and additional social and care-providing services as well as religious, educational and cultural services resulting from the individual requirements of its residents. A nursing home should also provide each of its residents with the right to freedom, privacy, respect and safety as well as taking care of their physical and mental condition. A nursing home offers its residents: accommodation, full board, clothes and footwear, hygiene, assistance with everyday chores, nursing, assistance in dealing with personal matters, participation in occupational therapy, physical activities, the opportunity to meet their religious and cultural needs, the opportunity to participate in self-government activities, the opportunity to establish, maintain and develop relationships with their families and local communities, assistance with keeping their cash and valuables safe, activities aimed at making them become more independent as far as possible with everyday chores. The maintenance costs of nursing homes are incurred by their residents, yet not more than 70% of their monthly income, their spouses, descendants before ascendants, i.e. people who signed an agreement with a nursing home, taking into consideration their income and potential, the commune sending a person to a nursing home – up to the amount constituting the difference between average maintenance costs per person at a nursing home and payments made by people who are obliged to incur such costs (a resident or their families).

Proper health-care is a basic issue for exercising the rights of elderly people and keeping them active. The prospect of the number of elderly people in society being doubled, particularly an increase in the number of people over 75 years of age, naturally increases the demand for health-care, rehabilitation and assistance of the entire population. At present Poland faces an epidemic' of neurocognitive and neurodegenerative diseases which are a social cost for a substantially extended life-span. The right to health-care is guaranteed by the Constitution, which has already been mentioned. The Constitution introduces the principle of equal access to publicly-funded health-care regardless of the financial state of citizens. It imposes on public authorities a particular obligation to provide health-care for, among others, people with special needs as well as the elderly. Particularly, public authorities may not refuse to provide medical treatment purely because of age – this would be discrimination. However, it needs to be

emphasized that a citizen is not entitled to receive all expected health-care services. Certain types of therapy require considerable financial resources; moreover, their effects are not always positive. Therefore, generally public authorities, e.g. the National Health Fund, decide whether a given patient qualifies for a specified treatment or medical service. Within the scope of basic health-care, people have the right to receive out-patient medical care, including home visits, as well as diagnostic tests, hospital services, rehabilitation and the like.

The right to respect is a significant matter for elderly people (the law prohibiting torture as well as cruel and degrading treatment). As it has already been mentioned, the European Convention on Human Rights and the Constitution of the Republic of Poland constitute that nobody may be tortured or treated in a cruel or degrading manner. This regulation applies to all citizens. This means that, under no circumstances can a human being be treated in a degrading manner, violating their dignity. Unfortunately there occur situations in which elderly people experience cruel or degrading treatment. This takes place in their family homes as well as institutions whose mission is to provide assistance, such as nursing homes or hospitals. Judgment whether a person is treated in a cruel or degrading manner always depends on the specific circumstances of a given case and takes into consideration such factors as the person's age, health condition and the moment at which such a situation occurred. Whereas degrading treatment does not need to be intentional – it is important to know, what influences the person who was subjected to it? If, for example, workers of a nursing home unintentionally do not provide clean sheets for a longer period of time due to staff shortages, this may be qualified as cruel or degrading treatment.

Direct coercion is a very important issue in light of human rights. Direct coercion is forbidden in Poland save for situations defined in legislative acts. Nursing homes where people who are chronically mentally ill are staying are one of such exceptions. The principles for applying direct coercion in such a case are defined by the Act on Protection of Mental Health as well as regulations and ordinances of the Ministry of Health and Welfare under the said Act. Direct coercion towards people with mental disorders may be applied only when this complies with the provisions of the Act on Protection of Mental Health, or if these people make an attempt at: their own or another person's life or health, the public security, b) destroy or damage objects in their surroundings in a violent manner, seriously disrupt or disable the operation of a social care unit. Direct coercive measures towards a mentally ill person include: a) physical restraint - this is an immediate, short-term immobilization of a person using physical force; b) compulsory application of medicines without a patient's consent – this is a temporary or scheduled application of medicines into a person's body; c) immobilization – is a longer-lasting immobilization of a person with the use of straps, brackets, sheets or a straitjacket; d) isolation – involves placing a person in solitary confinement in a locked room.

Apart from numerous features and stages the specificity of older age is characterized by lowered living standards and dependence on the family as well as other people or social institutions. The family is very important for people when growing old. Undoubtedly it is most difficult when a person has to deal with the demise of their spouse. This is particularly painful for wives since they outlive their husbands considerably more often in Poland. Thus human rights in relation to respect for private and family life are so important. The right to respect of family life includes the possibility of moving in with the family or, if this is impossible, keeping in touch with them regularly. The right to respect of family life will be particularly significant in the case of when a given person is separated from the partner (not necessarily due to their demise) and other family members, e.g. as a result of living in a nursing home. Such a condition may impede contact or visits, if a nursing home where a given person is staying is far from the family's domicile. Yet another example when human rights may be violated can be the following situation: if a person lives at their own home and requires assistance but local authorities declare that they do not have the necessary resources to enable them to stay at home, this may constitute interference in this person's family life. If public authorities separate a person from their partner or impose other restrictions on their family life, they must be able to



justify their decision and will have to examine whether the applied measures have been legitimate, necessary and appropriate. Human rights also guarantee the respect of private life. Private life means more than only 'privacy' and also includes such issues as ability to live exercising personal choice, ability to establish relationships with others according to one's own will, physical and mental well-being, having access to health-care. The right to privacy is one of the principal personal interests and is a constitutional right. Everyone has the right to protect their family and private life, respect and good name as well as take decisions regarding their private life. The legal protection of privacy may be exercised under civil law, administrative law and also the penal code. In the event of any breach of a person's privacy, they may seek to exercise their rights in a civil court. Actions breaching the privacy of other people may be determined to be punishable. This may apply particularly to elderly people as they often have too much trust for others. An example of such actions is breaching the confidentiality of correspondence, violating respect within the family or stalking thus making the aggrieved party feel afraid. Pursuant to administrative law, the protection of privacy may particularly apply to the protection of personal data. The right to privacy also includes exercising choice regarding a person's private life without the interference, without express legal grounds, of third parties. Disclosing information by a doctor on their patient's health condition may constitute the infringement of the right to privacy if the said patient has not given their consent.

## DISCUSSION AND CONCLUSIONS

The four presented basic areas of the application of human rights in the lives of elderly people in Poland do not exhaust all their rights and needs. The Polish Ombudsman noticed the significance of problems with exercising human rights by elderly people. In 2012 a number of documents regarding these issues, which have significant practical importance to for elderly people, were drawn up. In particular the ones below should be mentioned: Human rights. A guide for elderly people; Strategies implemented in an aging society. Theses and recommendation work: A guide for elderly people; Social security. It needs to be remembered that other generations make decisions about exercising and observing human rights in the lives of elderly people. The addressees of the policy on old age are not only elderly people but also younger generations who are preparing for old age and living in a society open to all the age groups, respecting the specificity of all the stages of life as well as fundamental, inalienable human rights.

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## TEACHERS' CONCEPTS OF THE IMPORTANCE OF MEDIA GADGETS IN CHILD'S DEVELOPMENT

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**Abstract:** *The article deals with the problem of changing of the socio-cultural environment of children's development. The rivalry of school and the world of multimedia are stated as the sources of child development. The article presents the results of studies on the role of such multimedia gadgets as television, computer, and mobile phone in child development from the point of view of teachers. The research method was the method of free associations. It turned out that teacher's lack of knowledge about this part of reality end to demonstrate an egocentric position in understanding the impact of media technologies on children's minds believing in their benefit for a child's development.*

**Keywords:** *multimedia, school, teacher, child development*

### INTRODUCTION

The exuberance of various kinds of technical devices has become one of the attributes of modern life. However, alongside with the obvious benefits high-tech presents certain danger. In the early twentieth century an outstanding Russian philosopher (N.A. Berdyaev) warned about one of them, namely the possible threat of subordination and absorption of the individuality by the machine: "There are always two sides in technology: on the one hand, it brings convenience, comfort in life and has a softening effect. On the other hand, it requires more austerity and courage. The miracles of technology are always of dubious character, they require unprecedented tension in spirituality, immeasurably greater than in all previous cultural epochs" [1, p. 19]. Obviously, the threat of dissolution of a human being in the technological environment depends primarily on the strength and maturity of his personality. Therefore, children, whose identities are in the process of formation, are especially at risk.

Contemporary grandmothers grew up in the era of radio, parents in the days of television, and our children grow up among computers and other multimedia devices. Specific environment of development of different generations leads to its various results, i.e. constant and regular interaction with technology is changing the type of a person. The modern epoch is more often characterized by experts as "an optical civilization" [2, 3 and others] due to the prevalence of visual information technologies.

This civilization offers many innovations that attract human beings by the expansion of their abilities, and it does it so quickly that most adults do not even have time to realize their own increasing dependence on the technology, and they don't even think about the possible after-effects of permanent media impact on children's development.

The phenomenology of life shows that school as one of the leading institutions of children socialization obviously begins to lose today in the rivalry with multimedia device for the child development. The concern of teachers working with children of different ages is growing. They complain more and more often that children do not want to read, that they are not able to listen to, that pupils can't concentrate on anything, they speak a different language, and in general they don't speak very well, etc.

However, in the process of consultation teachers see the roots of these pupils' problems in bad environment, adverse family conditions, lack of assistance and supervision in the child's education on behalf of the parents etc.; but the world of media technologies is not actually mentioned in spite of the fact that according to the time which a child spends there can be considered one of the major sources of child development. Therefore, the main objective of the present study is to investigate the concepts of teachers about the role of media technologies in child development.

## RESEARCH METHODS

The study involved 300 teachers from different educational institutions of the Republic of Belarus in Brest region (urban and rural schools). The sample included 260 women and 40 men who were from 25 to 57 years old, which proportionally reflects gender and age composition of the teachers working at schools in Belarus today. The teachers' participation in the research was voluntary and anonymous. The main method in the study of teachers' concepts about the importance of media gadgets in child development was the method of free associations. The teachers were asked to complete some sentences, such as "TV for a child is..." The number of associations and their grammatical categories were not limited. The results obtained were processed by means of the content analysis.

## RESULTS

The results of the content and statistical analysis of the respondents' answers refer to three main media gadgets: television, computers and mobile phones.

*Television:* Entertainment ("spend free time", "rest", "distraction from problems") - 70%; Source of information ("means of cognition", "new knowledge") - 45%; Replacement of computer ("needed while the computer is not available") - 10%; Health deterioration - 8%; Demonstration of ready-made patterns of behavior - 5%. Some responses indicated a direct impact on child development: negative ("the destruction of the child's sanity by the scenes of violence and debauchery", "imposing certain lifestyles and thoughts", "picture that is not thought-provoking") and positive ("a way of speech development", "means to broaden horizons").

*Computers:* Source of knowledge ("assistant in studies", "assistant in preparing reports") - 76%; Means of communication ("interlocutor", "friend") - 43%; Toy - 36%; Health deterioration - 12%. 7% of the interviewed teachers named only negative consequences of the regular interaction of a child with the computer, including also very metaphorical ones ("a bomb depriving of life", "the main danger of our time", "an obstacle for development", "a surrogate of communication", "the monster of the XXI Century" etc.)

*Mobile Phones:* Means of parental control ("a child's remote control", "a way to complain to parents", "a lead", etc.) - 67%; Favorite toy - 35%; Way to show the material status of the family ("the demonstration of the thickness of the purse", "needed to show off to his classmates", "means of raising personal authority", etc.) - 25%.

Below the threshold of randomness in the research comes teachers' answer about the dangers of the mobile phone for the physical and mental health of its owner.

## DISCUSSION AND CONCLUSIONS

When analyzing the obtained results several key moments should be mentioned:

*Firstly*, scanty associations and a small number of teachers' responses indicate their cognitive simplicity in this field of reality [8]. Although teachers are the most educated part of the population, in the area of media technologies they turn to be ordinary consumers that have fallen under the spell of the charm of the advertisement, they are unable to judge rationally these gadgets and to use them in their direct purposes.

*Secondly*, the position of "the adult egocentrism" (S.V. Zaitsev) or "the naive realism" (L. Ross, A. Ward) prevails that adults ascribe a child their own way of world perception, assuming, firstly, that only their (adults') perception of reality is objectively true and secondly that others think and perceive the reality in the same way as they do. This position is especially evident in the evaluation of television and computer as the source of child's knowledge of the environment.

*Thirdly*, the majority of respondents optimistically believe in the benefits of media gadgets for child development. In general, the results of the carried out empirical research have shown that teachers today are too keen on the investigation of technical innovations, the potential of which bring them delight and make them feel "up-to-date". Thus, adults themselves are getting immersed in the world of multimedia, in fact they don't provide children with other options of existence and development; but life can only be learnt in the

real world, rather than in the surrogate one no matter how beautifully it is packaged and how much similar to reality it may seem.

The revealed teachers' concepts can be considered a manifestation of the myths of everyday consciousness as distorted and giving wrong conceptions of the reality. The systematization of the research results [2-7], in which the effects of media gadgets on a human were analyzed, allow us to make the following conclusions: Health deterioration as a consequence of constant electromagnetic radiation, lack of physical activities, not reacting on stress and other determinants; Decreased level of speech development and literacy of the population belonging to different age categories who are functionally illiterate and bad spellers; Deterioration of abilities to create patterns of their own due to the formed near the TV screen and computer monitor habit of "getting" the ready-made images (that are extremely bright and dynamic, which fully control the viewer's attention); Decrease of intelligence because of regular communication through sms-messages; The formation of consumers' life position that is oriented to entertainment and search for pleasure, etc. The generalization of the named effects of media impacts on a human shows that in addition to the direct harm to health, the enthusiasm about multimedia technologies leads to atrophy of such essential human qualities as creativity and the ability for abstract and logical thinking. We are degrading; we are losing what once made us "the crown of creation", and that is now turning us into an appendage of technology.

Modern mythology of everyday consciousness about the benefits of various multimedia devices in child development contributes to the defeat of mankind in the rivalry with the machine and makes an anthropological catastrophe tangible, about the possibility of such catastrophe outstanding scholars (V.S. Bibler, V.P. Zinchenko, M.K. Mamardashvili, V. Frankl, etc.) warned several decades ago. The essence of this disaster lies in the increasing contradictions between man and technology.

Without professional debunking of the existing myths, without purposeful work of professionals with parents, since it is in the family when we first encounter with a TV, a computer, a mobile phone and form the habits of handling these devices, we are facing the problem of bringing up not just a simplified primitive generation of people. The next generation will be literally dehumanized, like machines, as mentality at early stages of its development is a reflection of the surrounding world and is formed in its interaction with the environment. Therefore, the more a growing up person interacts with a machine, the more his characteristics and the content of his inner world resemble it. The present abundance of technical gadgets in our life does require from us the "tension in spirituality" to which almost a century ago N.A. Berdyaev inspired us. In other words, the humanity of future generations depends on the realization of our own humanity today, here and now.

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# SOCIAL PHOBIA AS PEDAGOGICAL AND PSYCHOLOGICAL PROBLEM

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**Abstract:** *In this article our ambition was to investigate the problem of social phobia which starts when a person is young (kids, teens, adults). The authors describe the developing of social phobia as a combination of three factors (a person's biological makeup, behaviors learned from role models (especially parents), life events and experiences). In the article are analyzed anxiety problems of famous writers (Emily Dickinson, Emily Jane Brontë, Agatha Christie, Harriet Beecher Stowe, C.S. Lewis, George Bernard Shaw, Elfriede Jelinek) as methodological tools in the corrective pedagogical and psychological processes, like one of the pedagogical technologies in the way of deciding different aspects of the problem.*

**Keywords:** *social phobia, shyness, pedagogical technologies, kids, teens, adults, educational process, anxiety problems*

## INTRODUCTION

Social phobia (also called social anxiety) is a type of anxiety problem. Extreme feelings of shyness and self-consciousness build into a powerful fear. As a result, a person feels uncomfortable participating in everyday social situations. People with social phobia can usually interact easily with family and a few close friends. But meeting new people, talking in a group, or speaking in public can cause their extreme shyness to kick in [10; 18]. Social phobia is a fear reaction to something that isn't actually dangerous – although the body and mind react as if the danger is real [16; 11]. Social anxiety disorder is known to appear at an early age in most cases. 50% of those who develop this disorder have developed it by the age of 11 and 80% have developed it by age 20. This early age of onset may lead to people with social anxiety disorder being particularly vulnerable to depressive illnesses, drug abuse and other psychological conflicts. Literary descriptions of shyness can be traced back to the days of Hippocrates around 400 B.C. Hippocrates described someone who "through bashfulness, suspicion, and timorousness, will not be seen abroad; loves darkness as life and cannot endure the light or to sit in lightsome places; his hat still in his eyes, he will neither see, nor be seen by his good will. He dare not come in company for fear he should be misused, disgraced, overshoot himself in gesture or speeches, or be sick; he thinks every man observes him" [15].

*Shyness* is a feeling of timidity, apprehension, or discomfort in at least some social situations. This term is often used to describe a personality disposition or temporary event, and less frequently in reference to a mental health concern [12].

## MATERIALS AND METHODS

With social phobia person's fears and concerns are focused on their social performance whether it's a major class presentation or small talk at the lockers. People with social phobia tend to feel self-conscious and uncomfortable about being noticed or judged by others. They're more sensitive to fears that they'll be embarrassed, look foolish, make a mistake, or be criticized or laughed at [5].

Kids, teens and adults can have social phobia. Most of the time, it starts when a person is young [14]. Like other anxiety-based problems, social phobia develops because of combination of three factors: 1) *a person's biological makeup*: Social phobia could be partly due to the genes and temperament a person inherits. Inherited genetic traits from parents and other relatives can influence how the brain senses and regulates anxiety, shyness, nervousness, and stress reactions. Most people who develop social phobia have always had a shy temperament; 2) *Behaviors learned from role models (especially parents)*: A person's naturally shy temperament can be influenced by what he or she learns from role models. Shy parents might also

unintentionally set an example by avoiding certain social interactions. A shy child who watches this learns that socializing is uncomfortable, distressing, and something to avoid; 3) *Life events and experiences*: If people born with a cautious nature have stressful experiences, it can make them even more cautious and shy. People who constantly receive critical or disapproving reactions may grow to expect that others will judge them negatively. They'll be scared of making a mistake or disappointing someone, and will be more sensitive to criticism. People with social phobia can learn to manage fear, develop confidence and coping skills, and stop avoiding things that make them anxious [10; 11]. This short film helps to dispel myths and misconceptions about social anxiety disorder and provides some tools to assist people who have been diagnosed with this illness [11].

## RESULTS

Physical symptoms often accompanying social anxiety disorder include excessive *blushing, sweating (hyperhidrosis), trembling, palpitations and nausea. Stammering* may be present along with rapid speech. Panic attacks can also occur under intense fear and discomfort. An early diagnosis may help to minimize the symptoms and the development of additional problems, such as depression. Some sufferers may use alcohol or other drugs to reduce fears and inhibitions at social events. It is common for sufferers of social phobia to self-medicate in this fashion, especially if they are undiagnosed, untreated or both; this can lead to *alcoholism; eating disorders* [15]. It is said in the documents that some famous authors were people with social phobia [2]. This information is very interesting for students because they've known them and read some literary works. According to our research, we can say that many authors (or representatives of arts [19]) are shy; perhaps shy people gravitate toward writing or literature is the pursuits of those who prefer to think instead of speak. While some authors embrace their shyness others have worked to overcome insecurities. Although the underlying cause of shyness differs between writers, the common thread is that writing allows a form of expression and an outlet for emotion. Here is a list of some of the most famous shy authors and how they have handled their own unique experiences with shyness. The author's career naturally lends itself to shyness; authors are able to spend most of their time alone at their craft without the worries of public scrutiny or performances. At the same time, when authors become successful, they must cope with book signing appearances and the potential to be recognized in public [4]. We would like to focus on some famous writers with social phobia.

The fact that Emily Dickinson (10.12.1830-15.05.1886) is believed to have suffered either with social anxiety disorder or agoraphobia. A noted poet and writer, she penned almost 1800 poems in her lifetime but less than a dozen were put in print during her lifetime. She was known for eccentricities such as shouting to people from the windows of her home instead of coming to the door. By the 1860s, Dickinson lived in almost complete isolation from the outside world, but actively maintained many correspondences and read widely. She spent a great deal of this time with her family. Her father, Edward Dickinson, was actively involved in state and national politics, serving in Congress for one term. Dickinson's younger sister, Lavinia, also lived at home for her entire life in similar isolation [7]. During the last two decades of her life she never left the family property. Despite her solitude, Dickinson corresponded regularly with literary figures and it is believed she had an affair with Judge Otis P. Lord of the Supreme Court; although the affair was by correspondence only. Dickinson passed away from Bright's disease on May 15, 1886 at the age of 55. Dickinson is quoted as saying: "*Saying nothing sometimes says the most*" [4]. Emily Jane Brontë (30.06.1818, Thornton, Yorkshire, England – 19.12.1848, Thornton) is known for the famous literary classic "*Wuthering Heights*". She was not the only creative talent in her family – her sisters Charlotte and Anne enjoyed some literary success as well. Her father had published several works during his lifetime too. Despite her ability to weave tales about society and people, in her personal life Emily was known to be shy and private. It is believed she wrote stories based on the gossip that she overheard rather than her own experiences; she had little contact with the world and spent her time living in fantasies of her own creation [4; 6].

Harriet Beecher Stowe (14.07.1811, Litchfield, Connecticut – 06.06.1856, Hartford, Connecticut) is a noted American author most famous for the volume "Uncle Tom's Cabin" about slavery in the United States. Her genius was in travail, and, whatever others might think, she could not stop or turn. The death of Uncle Tom was conceived at the communion table, and when her little sons heard it they declared slavery was the wickedest thing in the world. After the chapter of Eva's death, the author was prostrated three days in bed. In one sense, a wholly reverent one, it may be said that she was inspired. She was wholly beside herself and in the control of her idea. She did not consider the book hers. She belonged to the book. In her own phrase: "That wasn't mine; that was given to me". Possibly from this accustomed expression of hers came the preposterous story that the wonder-working volume was not hers, but her brother Henry's. In his jesting way he said that he wrote "Norwood", just to show what he really could do in the way of fiction, and the result "killed dead" the theory that he wrote "Uncle Tom's Cabin" [9]. Over the course of her career Stowe wrote more than 30 works including children's novels, biographies, and advice books; she was known for her conversational style. Stowe was raised in a religious family in which the children were expected to shape the world through their work. Stowe took up writing as it allowed her to express her thoughts and beliefs during a period when women did not have rights and liberties to speak publicly, hold office, or even vote. H.B. Stowe was known to be shy as a child and kept to her [4].

Agatha Christie (15.09.1890–12.01.1976) was one of the most successful crime novelists and playwrights of the 20<sup>th</sup> century. Her lifelong shyness led her to the literary world where she conjured up detective fiction with endearing characters, including the world-famous detectives Hercule Poirot and Miss Marple. Not only did Christie write 82 detective novels, but she also wrote an autobiography, a series of six romance novels under the pseudonym Mary Westmacott, and 19 plays. Christie was shy as a child; she turned to music and writing for expressing herself [4; 1].

Irish writer C.S. Lewis (29.11.1898, Belfast, Ireland – 22.11.1963, Oxford, the UK) was known for the "Narnia Chronicles". The Narnia books have since sold more than 100 million copies and are among the most beloved books of classic children's literature. When Lewis was just a boy his mother died of cancer; because of the wisdom of the time he was not allowed to grieve the loss. This early hardship is seen to have played out later in life as he became a very private and shy person. Lewis was known for not revealing his private life and feelings in his writing or even in personal relationships. It is said that his shyness sometimes appeared to turn into aggression when others tried to get too personal, but that this was just a fear of close relationships. He is said to have been too shy and modest to believe anyone would want to know him [4; 3].

We should remember George Bernard Shaw (26.06.1856, Dublin, Ireland – 02.11.1950, Hertfordshire, England), an Irish novelist and playwright known for his bold and analytical writing about contemporary issues exemplified in works such as "Pygmalion". In 1912 Shaw began work on his play *Pygmalion*. His biographer, Stanley Weintraub, points out: "Although Shaw claimed that he had written a didactic play about phonetics, and its anti-heroic protagonist, Henry Higgins, is indeed a speech professional, what playgoers saw was a high comedy about love and class, about a cockney flower-girl from Covent Garden educated to pass as a lady and the repercussions of the experiment. When the First World War began *Pygmalion* was nearing its hundredth sell-out performance and gave Shaw an excuse to wind down the production" [13]. B. Shaw grew up shy and with an inferiority complex; it is said at one time he was too nervous to even knock on the door of a friend and instead walked up and down the banks of the Thames River. Vowing not to let his fears overcome him, he built confidence through participation in oral debates. Shaw is credited with molding the thoughts of his generation and those that came after him. He received the Nobel Prize for literature in 1925 [4].

At last, Elfriede Jelinek (20 October 1946, Mürtzschlag, Austria) was an Austrian novelist and playwright who won the 2004 Nobel Prize for Literature. Prize motivation for her musical flow of voices and counter-voices in novels and plays were with extraordinary linguistic zeal reveal the absurdity of society's clichés and their subjugating power. She studied

art history and theater at the University of Vienna. However, she had to discontinue her studies due to an anxiety disorder, which resulted in self-isolation at her parents' house for a year. During this time, she began serious literary work as a form of therapy. After a year, she began to feel comfortable leaving the house, often with her mother [8]. Elfriede Jelinek is best known for works such as "The Piano Teacher" and "Lust"; her signature style is a language that mimics musical composition. She described herself as a loner during childhood and someone who used writing and poetry as an outlet for expression. Although she accepted the 2004 Nobel Prize, she did not attend the ceremony because of self-proclaimed extreme social phobia: "*I would gladly do it but I am suffering from social phobia. I cannot manage being in a crowd of people*" [4]. Generally in addition to studying the applied, treatment-oriented aspects of disorders such as social phobia, teachers, social teachers, psychologists also complete a great deal of study on basic psychological makeup, including factors in emotional development, theories of personality, family functioning, and social influences on mental health.

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# AN EXPLORATION OF SOME SEMANTIC PROCESSES IN PRESCHOOL CHILDREN WITH DEVELOPMENTAL DYSPHASIA

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**Abstract:** *The net of meanings and some of the verbal reactions and operations are in focus within the article. The connection between cognitive and language development is also pointed out. Fifteen children with developmental dysphasia are examined. They are five years old. The exploration ranges the next operation: semantic differentiation between opposite and similar actions; understanding of verbs; understanding of adjectives; naming of pointed objects and generation of appropriate nouns. The main difficulties of children with developmental dysphasia refer to semantic differentiation especially to the words with similar or derived meanings. The conceptions of these children are too superficial. They know a large number of words, have many associations and show creative imagination but cannot use every time appropriate meanings within the concrete context.*

**Keywords:** *developmental dysphasia, semantic differentiation, understanding, meanings, naming, circumlocutory explanation, language development*

## INTRODUCTION

Developmental dysphasia is a kind of specific language disorder which needs special intervention and long-term support by speech therapist. The intellectual development of children with developmental dysphasia is normal. There are not also any sensory and motor dysfunction and in the most of the cases children with developmental dysphasia have less problems in the process of adaptation than the children with mental retardation for example. The main goal is their language development to be stimulated. To discuss and improve language development is a very tough task. Every child has a specific and individual particularities and abilities on which this development depends. In another hand the role of the human language is amazing and unappreciable. As Chomsky states "Thus language is a mirror of mind in a deep and significant sense. It is a product of human intelligence created anew in each individual by operations that lie far beyond the reach of will or consciousness" [1]. It is true that we have too superficial view on mechanisms which provoke our psychological states and our behavior. And especially these "operations that lie far beyond the reach of will or consciousness" are the most interesting issues and they create our complex connection with the world. The language makes us able to use all the concrete and abstract conceptions and to realize everything which exists. And it exists not only in the world, it exists in our mind "... all sensible qualities are in the mind, not in the object" [4]. This state of Hume is very important. Our knowledge is inside our mind, the setting and the environment just elicit it. We need a "trigger experience" and a representative way to comprehend meanings. "It is only experience, which teaches us the nature and bounds of cause and effect, and enables us to infer existence of one object from that of another" [4]. Thus, every conception can be defined by other conceptions, all the conception defined themselves each other. A more fruitful approach shifts the main burden of explanation from the structure of the world to the structure of the mind. What we can know is determined by the mode conception in the understanding; what we do know, then, or what we come to believe, depends on the specific experiences that evoke in us some part of the cognitive system that is latent in the mind [1]. Children with developmental dysphasia have sufficient cognitive experience and "the mode conception in the understanding" which are the basic point to improve their ability to use the language which reflects all the cognitive phenomena.

## MATERIALS AND METHODS

Within the exploration 15 children with developmental dysphasia are examined. They are five years old. The exploration ranges the next operation:

- Semantic differentiation between opposite and similar actions;
- Understanding of verbs;
- Understanding of adjectives;
- Naming of pointed objects and generation of appropriate nouns.

Sixteen pictures are used for the sake of enquire semantic differentiation between opposite and similar actions. The pictures are sorted in eight groups, there are eight pairs of pictures expressed the next actions *to pour – to pour out, to come upstairs – to come down, to fly out – to alight, to stick – to slice, to write – to draw, to break – to tear, to twist – to pull, to press out – to filter*.

The instructions for the children are *"Show me where the bird alights and where the bird flies out. Where someone presses out a lemon and where he filters coffee? Where someone twists a rope and where he pulls the rope? Where the boy writes and where he draws? Where he comes upstairs and where he comes down?"* Every child must point the appropriate picture which expresses the described action.

Ten pictures are used for the sake of enquire the understanding of adjectives. The pictures expresses the next features *small, big, shallow, deep, dirty, sweaty, bald-headed, enormous, content, discontented*. The instructions for the children are *"Show me in which picture the man is dirty sweaty/bald-headed/content/discontented. In which picture the water is deep? In which picture the river is shallow?"* Every child must point the appropriate picture which expresses the described features and properties.

Ten pictures are used for the sake of enquire the naming of pointed objects and generation of appropriate nouns. They express the next objects: *crown, fence, feather, castle, cross, cable, mole, saltcellar, footprints, and benches*. The explorer shows a picture and the child must utter the appropriate word which refers to the pointed picture.

## RESULTS

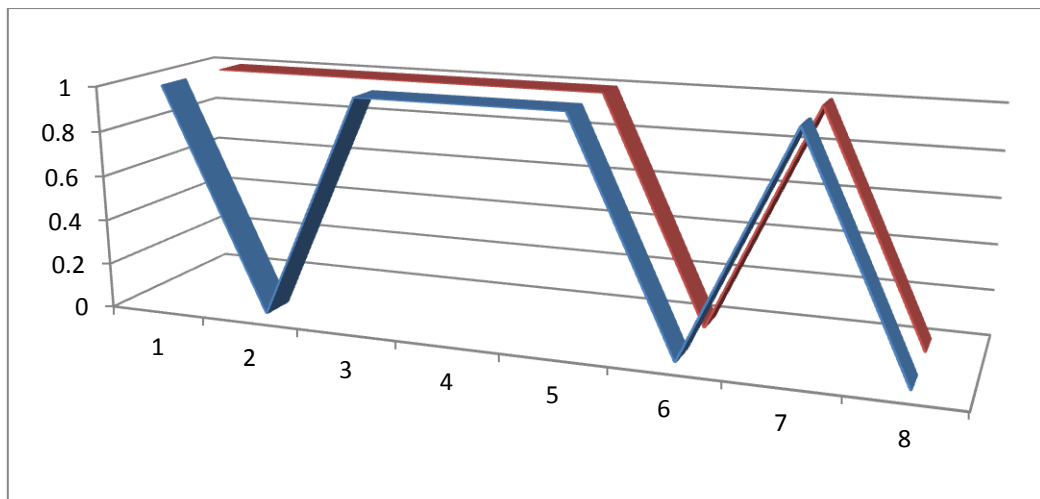


Figure 1: The proportion between correct and wrong answers which refer to semantic differentiation between opposite and similar actions – in this case the child cannot understand the verbs to come upstairs, to break, to tear, to press out, to filter:

1. to pour – to pour out
2. to come upstairs – to come down
3. to fly out – to alight
4. to stick – to slice
5. to write – to draw
6. to break – to tear
7. to twist – to pull
8. to press out – to filter

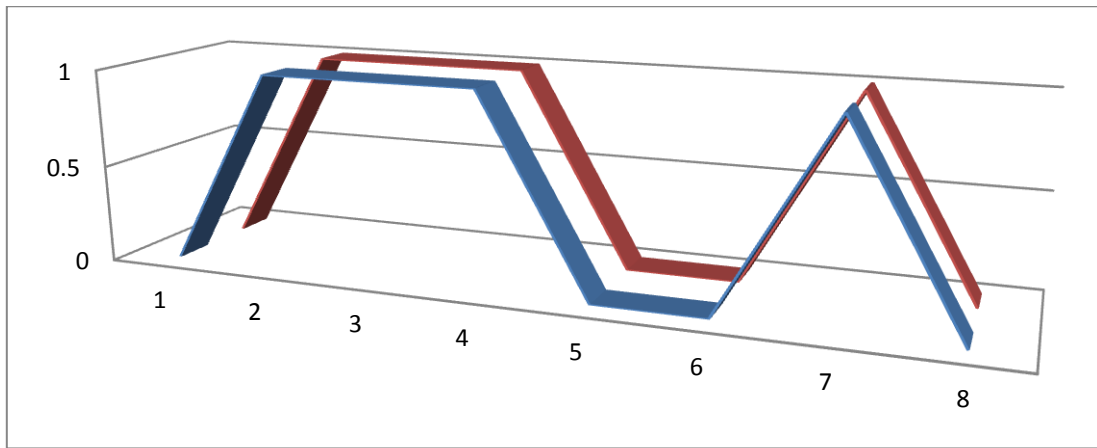


Figure 2: The proportion between correct and wrong answers which refer to semantic differentiation between opposite and similar actions – in this case the child replaces the meanings of the pairs of verbs to come upstairs – to come down, to write – to draw, to break – to tear, to press out – to filter

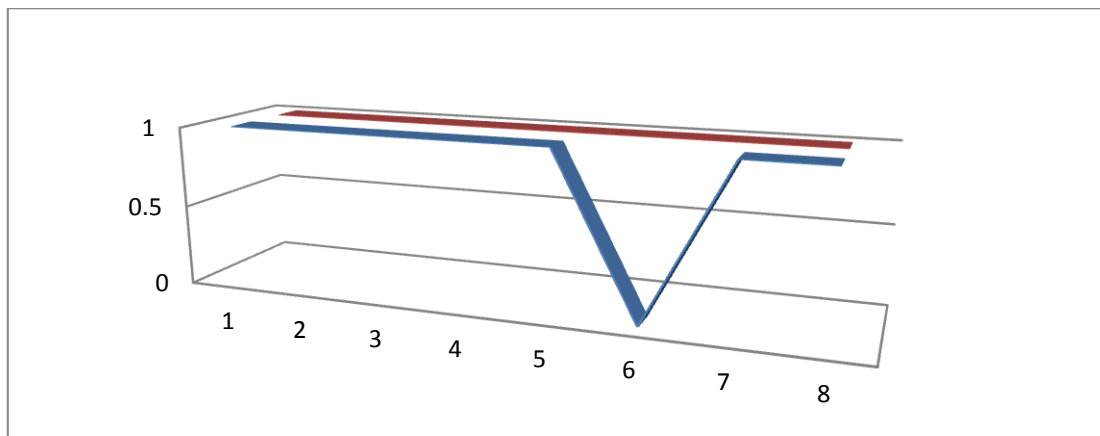


Figure 3: The proportion between correct and wrong answers which refer to semantic differentiation between opposite and similar actions – in this case the child cannot understand the verb to break

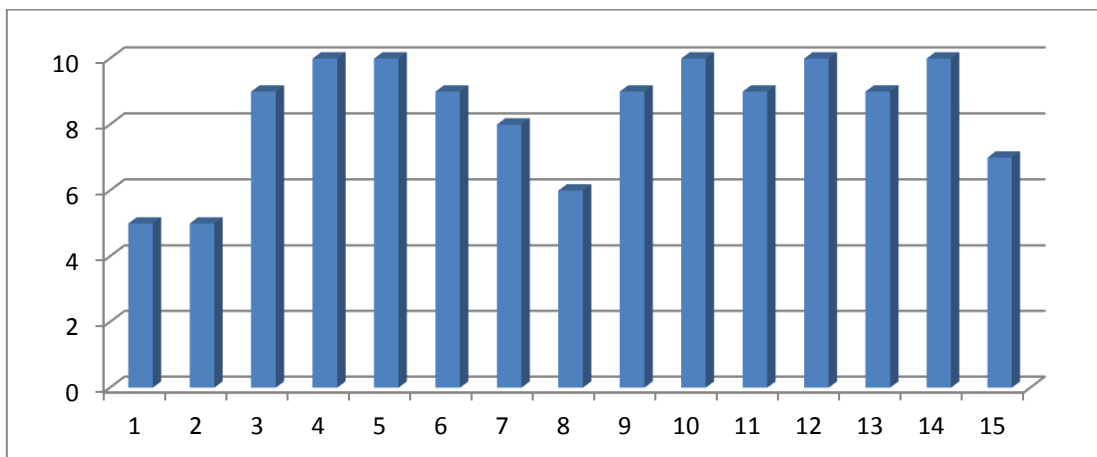


Figure 4: The number of correct answers given by any child /understanding meanings of the adjectives small, big, shallow, deep, dirty, sweaty, bald-headed, enormous, content and discontented

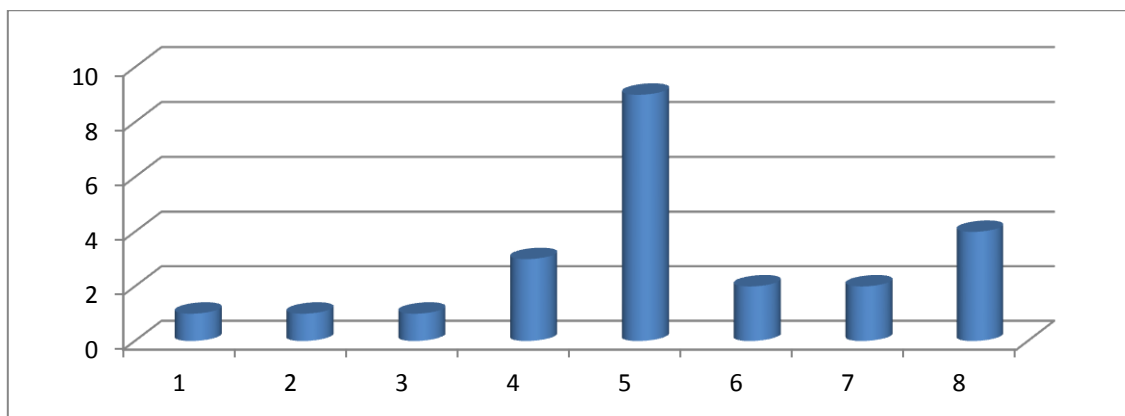


Figure 5: The number of wrong answers, 1 – big, 2 – shallow, 3 – dirty, 4 – sweaty, 5 – bald-headed, 6 – enormous, 7 – content, 8 – discontented

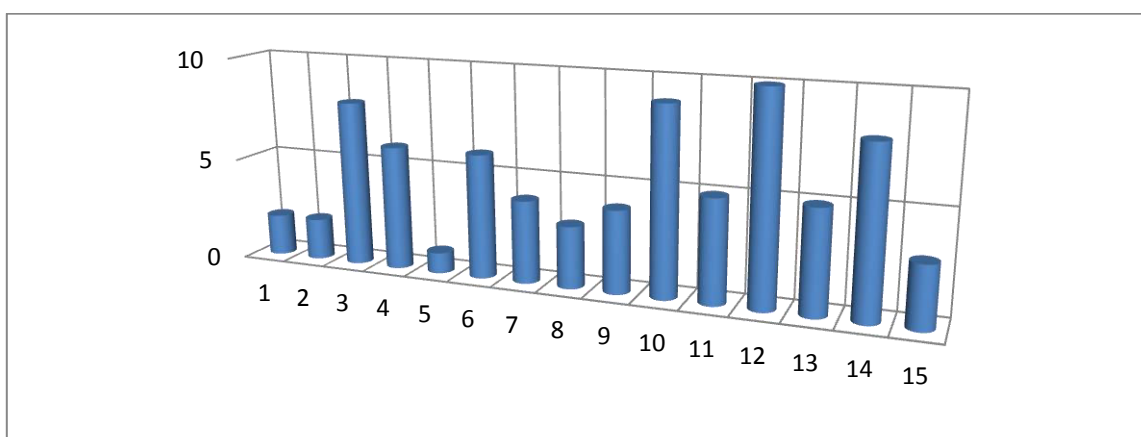


Figure 6: The number of correct answers given by any child/naming pointed pictures

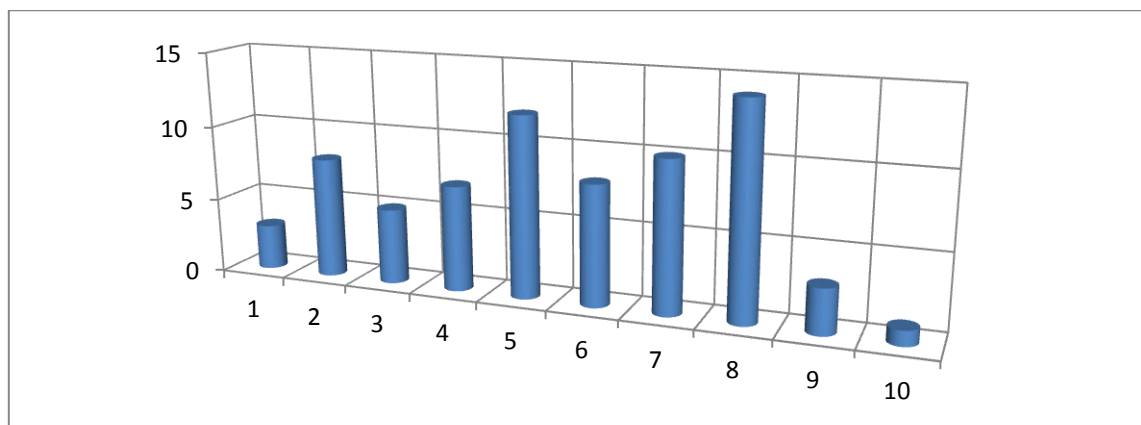


Figure 7: The number of wrong answers referring to the next objects: 1 – crown, 2 – fence, 3 – feather, 4 – castle, 5 – cross, 6 – cable, 7 – mile, 8 – saltcellar, 9 – footprints, 10 – bench

## DISCUSSION AND CONCLUSION

The main difficulties of children with developmental dysphasia refer to semantic differentiation especially to the words with similar or derived meanings. The conceptions of these children are too superficial. They know a large number of words, have many associations and show creative imagination but cannot use every time appropriate meanings within the concrete context.

Table 1

## Circumlocutory answers and substitutions:

Objects	Divergent answers by the children	Objects	Divergent answers by the children
crown	<ul style="list-style-type: none"> <li>• a thing, which belongs to the king</li> <li>• something at the head of the king</li> </ul>	bench	<ul style="list-style-type: none"> <li>• we sit upon it</li> </ul>
fence	<ul style="list-style-type: none"> <li>• door</li> <li>• something in the yard</li> <li>• planks</li> <li>• wall</li> <li>• branches</li> </ul>	cable	<ul style="list-style-type: none"> <li>• something which sticks</li> <li>• elephant /trunk, proboscis/</li> <li>• rope</li> <li>• channel</li> <li>• wire</li> <li>• plug</li> </ul>
feather	<ul style="list-style-type: none"> <li>• leaf</li> <li>• something which is fell from the bird</li> <li>• something in the hen</li> <li>• tree</li> </ul>	castle	<ul style="list-style-type: none"> <li>• circle</li> <li>• house</li> <li>• wall</li> <li>• mountains</li> </ul>
cross	<ul style="list-style-type: none"> <li>• plus</li> <li>• square</li> <li>• pair</li> <li>• doctor / red cross/</li> <li>• sign</li> </ul>	saltcellar	<ul style="list-style-type: none"> <li>• a bottle of milk</li> <li>• salt</li> <li>• square</li> <li>• milk</li> <li>• a bottle of salt</li> </ul>
mole	<ul style="list-style-type: none"> <li>• something black</li> <li>• pimple</li> <li>• mud</li> <li>• stain</li> <li>• scribble</li> <li>• black point</li> <li>• paint</li> <li>• spot</li> <li>• black pimple</li> <li>• point</li> </ul>	footprints	<ul style="list-style-type: none"> <li>• lines</li> <li>• path</li> <li>• track</li> <li>• pace</li> <li>• Someone was walking in the muddy place and his or her feet are very dirty now</li> <li>• potato</li> </ul>

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# L.N. TOLSTOY'S EDUCATIONAL IDEAS IN THE HISTORY OF YAKUTIA

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**Abstract:** *It is considered currency of pedagogical ideas of L.N. Tolstoy, in the article, during the pre-revolutionary period of the XX century in Yakutia. The ideas of education in Yakutia of that period were especially actually as the analysis of a socio-cultural situation of the region testifies. In this context synthesis of various approaches of historical and pedagogical research is used. Creation of public organizations of educational character confirms aspiration to people's self-determination in national education. The basis of national school in the village Nikolaev village (Magan) is also connected with the name L.N. Tolstoy in 1908. The author describes parallels between L.N. Tolstoy's progressive pedagogical ideas and educational development in Yakutia during this historical period. In the article the corresponding conclusions of the conducted historical and pedagogical research are formulated and references to earlier published materials on this subject are given.*

**Keywords:** *L.N. Tolstoy, national education, pre-revolutionary period, various approaches in historical and pedagogical research, public life, Nikolaev village (Magan), humanistic pedagogy*

## INTRODUCTION

During the historical period of pre-revolutionary Yakutia in the beginning of XX century quality and size of school education even at initial level left much to be desired to what numerous archival documents and materials testify. The policy of tsarism concerning on training of foreigners pursued definite aims:

- a) Realization of the idea of colonization in the territory of the northeast of Siberia;
- b) Russification of its indigenous people. Teaching in being available educational institutions was conducted only in Russian that complicated assimilation of the training program. The native language in the training course was used only as a supportive application. The quantity of the indigenous people which had secondary and higher education was scanty, among the Yakut's making 87.1% of all population of the area, competent there were 2%, among Evenks 0.1%, at the Chukchi only 4%. Education for indigenous people was difficult because of remoteness of the Yakut area from the central part of the Russian state [4].

## MATERIALS AND METHODS

Providing the historical and pedagogical analysis the influence of Tolstoy's conceptual ideas on the development of pedagogical thoughts in Russia, including the Yakut area during pre-revolutionary period, we use synthesis of various approaches of historical and pedagogical researches are possible: factual (S.F. Egorov and A.V. Ovchinnikov); cultural (A.N. Dzhurinsky and E.V. Bondarevskaya), anthropological (B.M. Bim-Bud and A.I. Piskunov) [3].

The justification of literary' and pedagogical creativity' influence of L.N. Tolstoy as world outlook basis of educational activities in the Yakut area during the pre-revolutionary period of the XX century relies on situations that update educational ideas of L.N. Tolstoy are promoted not only on the literary activities of the writer, but also in his public and pedagogical work. Tolstoy's great popularity in the Yakut area during the pre-revolutionary period of the XX century is confirmed by many facts of public life. Arising liberal movement after the revolution of 1905-1907 in the Yakut area as priorities of social development puts education of a people as a main purpose. In the book "School and Development of Pedagogical Thought in Yakutia" V.F. Afanasyev notes that after the revolution of 1905-1907 in Russia, questions of national education are put in the center of public attention there were

cultural and educational unions, societies and associations on literacy distribution among adult population [1].

In 1905 "Society of distributing education among the Yakut people" (Syrdyk) was created. In 1905 Yakutsk "Society of national readings" was opened. "Society of mutual aid of salesmen" was created in the Yakut area on November 25, 1905; it was well-known also because of real help to the national education. Society's activities consisted in the organization of literary and collecting musicales which went for establishing free schools [2].

## RESULTS

In issue of the newspaper Yakutskaya Zhizn, August 28, 1908 it was advertized that "on August 28 this year in club of society of mutual aid of salesmen celebration of eighty-year anniversary of L.N. Tolstoy" will take place. From soled entrance tickets collecting it was planned giving to the fund formed for constructing school in the settlement of Nikolaev village (nowadays Magan).

The basis of elementary school in the village of Nikolaevsk in 1908 became an extraordinary historical event in public life of the Yakut area. Peasants independently showed an initiative about establishment in their settlement of an educational institution that is a question of direct participation of the public in national education. Especially it should be noted that fact that the public wanted to appropriate naming the school after L.N. Tolstoy [5].

In funds of the RS (Ya) National Archive there are documents of the Nikolaev village rural management on correspondence concerning construction of the new building or room acquisition for initial school. In this document it is mentioned that "the peasant of the local settlement Nikolay Petrov expressed his desire to sell the house for the school (with part of a farmstead place) in which till 1912 the school was located, from them to receive 800 rubles for 1000 rubles at sale, and 200 rubles by installments. This new house, the new light, the high southern windows in the cool room, don't demand big repair and in special adaptations for cool occupations of need doesn't meet" [6].

These facts confirm existence in the Nikolaev village (Magan) of national school till 1912 and allow claiming that the national school was founded in 1908.

So, gradually literacy distribution among the population of the Yakut area during the pre-revolutionary period of the XX century became the leading idea of national consciousness, the idea which would allow raising education in the future. This idea was also leading in the theory and the practicing of Tolstoy.

Tolstoy as a teacher considered that the increasing number of cheap national schools is the benefit for development of general literacy, than smaller quantity class and expensive, and, therefore, schools inaccessible to mass education. It should be noted, the problem of creating schools for children took an important place in Tolstoy's pedagogical activities.

Tolstoy defended the opinion that school for the people has to be "build" by people. Speaking about free emergence of schools for the people, L.N. Tolstoy pointed out of studying the reasons which are cornerstones of development of national schools [4].

## DISCUSSION AND CONCLUSIONS

Thus, reconsideration of pedagogical Tolstoy's heritage, caused by current trends of social development, the appeal to universal, humanistic values and the ideals which realization is enabled in educational system of Russia, allows drawing a conclusion that:

a) Tolstoy's pedagogical activity formed a world outlook basis for formation of ideas of humanity in development of national education in Yakutia (at the end the XIX beginning of the XX centuries);

b) Tolstoy's teacher's theoretical and practical heritage has huge value for modern pedagogics that is caused by relevance of ideas of humanistic pedagogies of the Russian writer in the conditions of reforming an educational space and improvement of pedagogical education, spiritual culture of future teachers.

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# THOMAS EDISON: LEARNING KIDS WITH ADHD ATTENTION DEFICIT HYPERACTIVITY DISORDER

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**Abstract:** *After reading this article the reader is going to be inspired of true information of an outstanding inventor. The name of this man was Thomas Edison. He lived and created his life with a few disabilities (ADHD, deafness). These issues are related to ADHD (attention deficit hyperactivity disorder).*

**Keywords:** *Thomas Edison, learning disabilities, attention deficit hyperactivity disorder, symptoms of ADHD, children with ADHD*

## INTRODUCTION

According to the U.S. Department of Education, the Individuals with Disabilities in Education Act (IDEA) are a law that ensures special education services to children with disabilities throughout the nation. Since IDEA applies to children ages birth to 21, many of the older students qualify for the rights provided by the Americans with Disabilities Act (ADA) and can participate in the National Disability Employment Awareness Month [3].

Learning disabilities can be difficult to manage, but they don't necessarily impact a person's chances of success. Many celebrities and famous figures from history struggled with learning disabilities, but the disabilities may have been instrumental in shaping their perspectives and helping them find the willpower to achieve their goals. Here's a full list of famous people with learning disabilities, including a description of their disabilities and their claims to fame. They can be a source of inspiration [6].

## MATERIALS AND METHODS

The main aim of the article is to study problems of *ADHD* (attention deficit hyperactivity disorder) like professionally oriented competence in English of the corrective teachers. For this purposes the main tasks are: 1) to describe the pedagogical aspect of *ADHD*; and 2) to give examples of this disorder on of child's development of the famous inventor Thomas Edison.

## RESULTS

Thomas Edison (born February, 11, 1847, Milan, Ohio; died October, 18, 1931, New Jersey) is mentioned more often than any other historical figure for exhibiting classic ADHD behavior. As one of the most prolific inventors of all time, Thomas Edison exerted a tremendous influence on modern life, contributing inventions such as the incandescent light bulb, the phonograph, the motion picture camera, as well as improving the telegraph and telephone [1; 12]. In his 84 years, he acquired an astounding 1,093 patents. Aside from being an inventor, Edison also became a successful manufacturer and businessman, marketing his inventions to the public [4; 10]. With his invention of the light bulb in 1879 came his endeavor to engineer an entire electrical lighting system that could be supported in a city. The first commercial electric light system was installed on Pearl Street in the financial district of Lower Manhattan in 1882 [7; 5].

Thomas Edison was more responsible than anyone else for creating the modern world. No one did more to shape the physical and cultural makeup of present day civilization. Accordingly, he was the most influential figure of the millennium. Little "Al" Edison, who was the last of seven children in his family, did not learn to talk until he was almost four years

of age. Immediately thereafter he began pleading with every adult he met to explain the workings of just about everything he encountered. If they said they didn't know, he would look them straight in the eye with his deeply set and vibrant blue-green eyes and ask them "Why?" [2].

Although young Al (as he was called in those days) was certainly very gifted and must have had a very high IQ, one teacher called him addled, which meant confused or stupid. He attended three different schools between the ages of seven to nine, and none of his teachers had the patience to deal with his apparent inability to sit still, his lack of focus on the matter at hand, and his talkativeness. Al likes to talk but not listen [13].

At the age of seven, after spending 12 weeks in a noisy one-room schoolhouse with 38 other students at the age of 11, Tom's overworked and short tempered teacher finally lost his patience with the child's persistent questioning and seemingly self centered behavior. Noting that Tom's forehead was unusually broad and his head was considerably larger than average, he made no secret of his belief that the hyperactive youngster's brains were "addled" or scrambled. If modern psychology had existed back then, Tom would have probably been deemed a victim of ADHD (attention deficit hyperactivity disorder) and proscribed a hefty dose of the "miracle drug" Ritalin [2; 9].

The symptoms of this disorder are: strange behavior, answering to questions without thinking, high temper attitude, inattentive. These all things are not such stuff that will stop you in the way of your prosperity. It is because there are so many heroes who have proved that [8]. His strange behavior forced T. Edison to leave the school.

At age 11, Tom's parents tried to appease his ever more voracious appetite for knowledge by teaching him how to use the resources of the local library. This skill became the foundation of many factors that gradually caused him to prefer learning via independent self instruction.

A factor that shaped Tom's personality in both a negative and a positive way was his poor hearing. Even though this condition -and the fact that he had only three months of formal schooling – prevented him from taking advantage of the benefits of a secondary education in contemporary mathematics, physics, and engineering, he never let it interfere with finding ways of compensating. More precisely, it was this highly individualistic style of acquiring knowledge that eventually led him to question scores of the prevailing theories on the workings of electricity. Approaching this complex field like a "lone eagle", he used his kaleidoscopic mind and his legendary memory, dexterity, and patience to perform whatever experiments were necessary to come up with his own related theories [2].

Around the age of 12, Edison lost almost all his hearing, possibly because of scarlet fever or, as he believed, as the result of an incident in which he was grabbed by the ears and lifted onto a moving train. His disability did not discourage him, and he often treated it as an asset that allowed him to concentrate on his experiments and research [7].

Tom Edison became totally deaf in his left ear, and approximately 80% deaf in his right ear. Poignantly, he once stated that the worst thing about this condition was that he was unable to enjoy the beautiful sounds of singing birds. Indeed, he loved the creatures so much, he later amassed an aviary containing over 5,000 of them. One of the most significant events in Tom's life occurred when – as a reward for his heroism – the child's grateful father taught him how to master the use of Morse code and the telegraph. In the "age of telegraphy", this was akin to being introduced to learning how to use a state-of-the-art computer. By the time Tom was 14 years of age, it was virtually impossible for him to acquire knowledge in a typical educational setting. It is interesting to notice, that by age 15, Tom had pretty much mastered the basics of this fascinating new career and obtained a job as a replacement for one of the thousands of "brass pounders" (telegraph operators) who had gone off to serve in the Civil War [2].

It is possible to say that would Thomas Edison be alive today, he would add another invention; a recipe for ADHD: 1) Take a genetic predisposition for creativity, energy, and inventiveness, 2) Add a stimulating, noisy, physically restricting environment, 3) Mix both well with artificial colors, sugary foods, and carbohydrates.

Thomas Edison's recipe for ADHD (attention deficit hyperactivity disorder) would address the three major components that are generally included in a discussion about ADHD; nature, nurture, and the input of energy such as food [9].

Thomas Edison's *genetic explanation* for his ADHD characteristics would have been easily explained by the nature of his parents. His mother had seven children (he was the youngest one), was the strong-willed daughter of a highly respected Presbyterian minister, and was a woman of action.

Thomas Edison's father was energetic, strong-willed, and showed the "devious" potential of ADHD he was characterized as a "rather 'worldly' and roguish father". Whether an ADHD "*energy gene*" manifests itself in positive energy or negative energy depends very much on "nurture" or environmental influences. Had Thomas Edison stayed in the one-room school house, his life would most likely have taken a different path.

Fortunately for Thomas Edison, his mother, Nancy Edison, withdrew her son from the one-room school house as soon as she became aware of the situation and began to "home-teach" him focusing on the "Three Rs" and the Bible. Nancy Edison was convinced that her "son's slightly unusual demeanor and physical appearance were merely outward signs of his remarkable intelligence".

As an active participant in his son's education, Thomas Edison's father "encouraged him to read the great classics, giving him a ten cents reward for each one he completed".

Like Thomas Edison, many children with ADHD are highly self-motivated if given the chance. In addition to self-motivation, many students with ADHD are also highly diplomatic. "I'll give you what you want if you'll give me what I want" is a diplomacy some educators of children with ADHD have experienced [9].

The theory that students "spend their ADHD energy" through physical exercise has its pitfall. In reality, many students who are physically active are so wound up that it becomes harder to have them focus in the classroom.

In reality, finding a balance between the physical and mental energy of ADHD children is much more challenging.

Distinguishing the physical energy from mental energy in children with ADHD is one crucial factor in working with ADHD children. A second crucial factor is the relationship and effect of physical energy on mental energy [4].

The very traits of Thomas Edison that are cited as being typical of ADHD also happen to be consistent with his MBTI temperament type. According to the official Kersey temperament site, Edison was probably an ENTP (that is, he had preferences for extraversion, conceptual thinking, logic and divergent thinking). It is normal for ENTPs to be very talkative; to want to learn through exploration and experience rather than rote memorization; to experiment; to invent; to have little tolerance for boredom; to have an intense desire to discover something *new* and *original*; to be an enthusiastic entrepreneur or a catalyst; to *tell* everyone about their discovery. Young ENTPs are notorious for their non-stop chatter and high energy levels. As far as ADD types go, they are primarily Discoverers, rather than the thrill-seeking Dynamos or the quiet Dreamers. Modern day ENTPs probably include entrepreneurs Steve Jobs (Apple Computer) and Ted Turner ("The Mouth from the South") [13].

*To sum up*, Thomas Edison's greatest challenge was the development of a practical incandescent, electric light. Contrary to popular belief, he didn't "invent" the light bulb, but rather he improved upon a 50-year-old idea. In 1879, using lower current electricity, a small carbonized filament, and an improved vacuum inside the globe, he was able to produce a reliable, long-lasting source of light [11; 14].

According to our research, we can conclude that Thomas Edison lived with disabilities but for him, once his parents realized that their son's mental energy was beyond what they could do, they "scraped enough money together to hire a clever tutor to help their precocious son in trying to understand Newton's complex mathematical principles and unique style.... Unfortunately, this experience had some negative effects on the highly impressionable boy.

He was so disillusioned by how Newton's sensational theories were written in classical aristocratic terms – which he felt were unnecessarily confusing to the average person – he overreacted and developed a hearty dislike for all such high-tone language and mathematics. The key upshot of this attribute was that his unique mental, and physical, stamina stood him in good stead when he took on the incredible rigors of a being a successful inventor in the late 19<sup>th</sup> century" [4; 2].

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# THE MAIN POINTS OF SYSTEM APPROACH OF FORMING COMMON CULTURAL COMPETENCES OF FUTURE TEACHERS OF HUMANITARIAN FACULTIES

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**Abstract:** *The article analyzes the scientific and educational literature in the implementation of a systematic approach. In the context of this study the author analyzes the training of future teachers of humanitarian faculties in order to create common cultural competence.*

**Keywords:** *general cultural competences' forming of future teachers of humanitarian faculties, systemic approach*

## INTRODUCTION

To justify the scientific views, leading conceptual ideas which are under pedagogical phenomenon "cultural competence", first of all, it is worth to define the key concepts that will represent the conceptual field of theory.

A new conceptual basis of studying the problem should transfer harmoniously into the already existing categories of fundamental education as well as to take into account the latest achievements of modern science.

## MATERIALS AND METHODS

The basis of forming general cultural competences of future teachers of humanitarian faculties is personality as well as their spiritual and professional growth. Therefore, the main component of its cultural activity is awareness of value. At the foundation of the concept of the research problem laid existing scientific theories: the theory of system (L. von Bertalanfy) [9], the humanistic theory of personality (K. Rogers, H.U. Olport and A. Maslow) and the theory of culture (B.K. Malinovskiy) [5; 6].

Studying questions of forming common cultural competences of future teachers of humanitarian faculties should be considered as a set of theoretical systems, where the interpenetration of different approaches, principles, methods and techniques, mechanisms of influence in understanding contemporary issues of significance for the internalization of the culture content of vocational and pedagogical education.

In an aspect of modern training of future teachers of humanitarian faculties is not only knowledge of certain methods, approaches, tools of professional-pedagogical activity important, as well as skills, and skills to use them, and knowledge about their features, advantages and limitations about the fields where they can be used, knowledge of pedagogical situations of cultural activities and forms of use of one or another method, which are appropriate to this kind of activity.

For our study, the special importance is the idea that a person is in the center of vocational and educational activities in the new methodological approaches of forming professional qualities of future teachers (I.P. Anosov) [5, p. 6].

The question of strengthening the connections of pedagogic with different sciences (philosophy, sociology, psychology, anthropology, physiology, genetics) is actual as well as integration of all the humanitarian sciences into the same object - the person that acts in the interests of developing the best educational systems, technology, conditions for personal development (V.I. Lozovaya) [8, p. 3].

Complexity, versatility and interdisciplinary research status of the problem of forming common cultural competences of future teachers of humanitarian disciplines lead to the necessity of its studying in a coordinate system that is given by different methodological

levels of science. The main philosophical basis of general cultural competences of future teachers of humanitarian faculties may be mentioned as the following: the dialectical correlation, interdependence of culture and an individual, understanding a person as an absolute value; a concept of humans as a social and cultural phenomenon. In our mind, the scientific level of studying and forming common cultural competences of future teachers of humanitarian faculties have to include a systematic approach.

## RESULTS

As any scientific theory, the systematic one includes a set of principles, rules that allow using them completely and successfully in research and practice. Different authors often have different sets, but there are more possibilities that they coincide. More often, such principles are called: the ascent from the abstract to the concrete, the unity of analysis and synthesis, the logical and historical, the appearance of different links and interactions in the object, the synthesis and structure-functional and the genetic representation of the object, etc.

In summary, it should be stressed that in this study the system principle is used in two interactive forms: analytical and synthetically. In the first case, there is the partition of the whole into subsystems and elements typical for them, in the second case there must be integration. The analytical form is undeniable during the design and construction of various systems and organizations, the synthetic is used in building abstract models of describing the system objects. Using the theory of systems, according to Y.A. Konarzhevskiy gives us the opportunity not only to acquire knowledge about the object of knowledge, but also to reveal the internal structure and its relationship to the internal environment [4, p. 51].

V.G. Afanasjev [1], Y.A. Konarzhevskiy [4; 5], V.A. Yakunin [12] and others show the following features of the system in special literature as a sets of elements, which represent a minimum unit, and which has a boundary separation within the system.

The element in this system performs only one function corresponding to it, which may be implemented if it is correlated with other elements. To define the system components means to describe its structure, the way of connection of its components that composed it. These are definite connections and relations between the elements. The way of interaction of these elements in the system determines its structural framework. Functioning and features of the system are due not only to the behavior of its individual elements, but also to the properties of its structure.

Let's characterize them. The level of integrity i.e. that has integrative qualities and properties that appears due to the interaction of its elements. The whole structure that unites all elements of the system, completing a set of elements of the system, coherence all functions of the elements of the system and the connection with other systems. It is the expedience of a social system that is created for a particular purpose.

A clear notion of a "pedagogical system", as well as a clear idea of its elements, structure and functions of the position should be considered in the system analysis, during which not only the reasons of phenomena, but the influence of the result on the reasons are clarified [2, p. 499].

According to L. Spirin a pedagogical system is any association of people where their activities (cognitive, educational, labor, moral, social, political, artistic, aesthetics, environmental, games, free communication) is a source of pedagogical goals and means to achieve them simultaneously [10].

The pedagogical system is a social conditioned integrity, which is interacted through cooperation's, the environment and its spiritual and wealth of participants of pedagogical process aimed to form and develop the individual [11, p. 29].

Every pedagogical as well as social system is characterized by: artificiality (they submit the laws, rules, principles, which are set by humans); openness (about the effects of the environment), dynamism (they are changing in time, they are transformed under the influence of external and internal factors), handling (for controlling mechanisms). Besides, the pedagogical systems have such specific characteristics of social systems, as the

complexity of the internal structure that is not confined to cause-and-effect relationships; unity of objective and subjective, self-organization and self-development, value orientation; probability, unique, great internal diversity, reflection, etc [8, p. 37].

Thus, the pedagogical system is difficult in its nature and characteristic features. It has integral ordered components and also subsystems as groups, classes and subsystems. In turn, the actual pedagogical system is a subsystem included in the system of education.

The research of forming of common cultural competences of future teachers of humanitarian faculties has the following system characteristics:

- 1) The complexity, which is determined by the dialectical synthesis of the key provisions of the system, system activity, student-oriented conceptions, and general systems theory, cultural theory, the humanistic theory of personality, the embodiment of ideas of social and cultural interaction, understanding the role of spiritual culture as the means of achieving common cultural interaction of individuals in the system of vocational and educational training, the forming of competence paradigm; different knowledge systems and relations between the parts of the concept, the concept of hierarchical structure as the system of knowledge that defines the logic of its opening the contents;

- 2) The expedience, which is opened in theory-methodological providing the process of forming cultural competence of future teachers of humanitarian faculties;

- 3) The dynamism of the system provides mapping of regular connections of system elements as a part of functioning and developing of the whole.

Dynamism is depending on possible additions, adjusted in accordance with the changing requirements and social order; openness that provides mutual influence and interdependence of the system and the external environment, as well as expanding of the sphere of application of its main contents.

Theoretical and methodological basis of the forming of common cultural competences of future teachers of humanitarian faculties provide a certain level of theorizing the validity of the provisions that reflect the original research positions, the basis of which are committed to build. Based on the understanding of forming common cultural competences of students as a complex process, which has carried out from different perspectives as paradigmatic methodology, we substantiate the system, active, competence, cultural, reflective, anthropological approaches.

## **DISCUSSION AND CONCLUSIONS**

Thus, a systematic approach (V.G. Afanasjev, V.N. Sadovskiy, E.G. Yudin, etc.) in our study serve as a general scientific framework and provides formulation of the problem at all levels of research, the study of the features of the structure and functions of common cultural competences, its internal structure, contents and features of the formation, it allows building research and the problematic field study provides a process of its formation with students through the description of its system characteristics in the organizational, pedagogical, professional, ethical and technologically-mediated aspects.

At the same time the study of abstract system properties of pedagogical phenomena without guidance their characteristics are insignificant for the development of a coherent theory.

Therefore, we complete a systematic approach by active, considering the general cultural competence as a complex process of establishing and developing contacts between people, the needs generated by the cultural activities that involve the exchange of information, development of a common strategy of interaction, perception and understanding of the other person.

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# ECLECTICISM OF AGGRESSIVE BEHAVIORS' AMONG PUPILS

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**Abstract:** *Aggression among youngsters is a very common phenomenon in today's world. It is the case due to the following factors: child's biological factors, frequent violence among relatives of a given individual, and overuse of punishment as a method of upbringing. Also, school as an educational institution can shape children's and youth's aggressive attitude. It is a place where a child learns, gains new experiences, forms its relation with the surrounding. However, one can also observe a set of negative phenomena in this venue. These phenomena can be generally defined as violence and aggression.*

**Keywords:** *aggressive behavior, youngster, punishment, eclecticism, frequent violence, teenagers*

## INTRODUCTION

A number of authors consider aggression a psychological equivalent of the notion of offence, e.g. A. Bandura and R.H. Walters. Although this view is not widespread, studies on causes and forms of aggressions are perceived as the best source of knowledge about psychological conditions of criminal behavior [26, p. 234].

## MATERIALS AND METHODS

I have decided to narrow down this particularly broad subject that is aggression among teenagers, to secondary school only. Youngsters aged 16-19 go through a complicated development stage in this period. From the psychological point of view, this age accounts for a certain link between childhood, youth and adulthood. It is the time when intensive changes in terms of becoming an adult occur. Besides, a new school triggers a new type of problems and difficulties students have to deal with, whereas aggression is a very common phenomenon in our times. One can find numerous examples which prove that violence and aggression are currently popular subjects of researches. Thanks to such studies, the phenomenon is becoming more and more understandable. One is familiar with the mechanisms related to violence and aggression. It is a common knowledge that certain individuals are more aggressive, and one knows the dependency between different types of personalities and aggression. This knowledge allows us to treat these people in the way which deters them from causing tensions or conflicts, while escalating emotions can be defused in a socially harmless or positive ways.

Violence and aggression are occurrences which are becoming an integral part of our everyday life. One can notice them in families, in various social groups, in mass media, in workplaces, as well as in diverse educational institutions. These phenomena existed before but their impact has never been as considerable as it currently is. People have always witnessed offences, hooliganism, or indifference towards harm and injustice, but what is the major concern is the rising rate of such phenomena that suggests that aggressors are younger and younger.

On a daily basis a number of criminal acts are kept secret for various reasons but there is no gainsaying the fact that they do exist. In spite of occurring in our country, fortunately the scale is not as dramatic as it is in other countries or regions of the world, e.g. the United States, in some African and Asian countries, and recently also Arabic countries. Mounting violence and aggression account for a serious problem and arouses concern in our country. Undoubtedly, one shall do their utmost to take preventive measures against such phenomena or minimize them according to the saying that "you'd better prevent than treat".

In everyday language aggression can be ambiguous. When thinking about aggression, one associates it with assault, attack, invasion etc. Psychologists tend to use terms of hostility, aggressiveness, destructiveness. These notions serve to specify tendencies, or an active or verbal behavior directed against someone or something [9, p. 6].

Definitions of aggression presented by various authors emphasize its intentionality, deliberate harm, or purpose. According to J. Ranschburg, aggression denotes intentional actions which aim to cause harm, loss or pain to other people or other things [27, p. 93].

E. Aronson provides a definition of aggression and claims that it is a behavior aimed at doing harm or distress [1, p. 303]. Z. Skorny, in turn, maintains that aggression is a social way of behavior which results from hostile tendencies and willingness to harm others or surrounding [29, p. 186].

## RESULTS

There is a wide range of various definitions which are in accord with the popular meaning of this notion. Potential differences derive from various theories as there is no consensus of opinions regarding sources of this phenomenon. In literature one can find various classifications of aggressive behaviors. The most frequently listed are physical aggression which takes a form of punching, jostling, pushing, kicking, beating, pulling, tripping, tearing out, destroying objects, devastating nature, hurting animals etc.

Physical aggression also refers to facial reactions, twisting, mocking, throwing objects, pricking etc. Such behaviors are the so-called direct physical aggression. It is accompanied by the indirect physical aggression which aims to do harm to a given object and does not take a form of a direct attack on this object. The example of such type of behavior is e.g. disturbing somebody's activities, teasing, hiding given person's possessions, breaking them or stealing.

Another type is verbal aggression which can be identified via the following behaviors: threatening, blackmailing, frightening, forbidding to participate in certain initiatives, providing untrue information in order to mislead, mean gossiping, ridiculing, complaining, badmouthing, voicing humiliating opinions, mocking, giving malicious remarks, calling names, swearing etc.

In literature one can also encounter different categories of aggressions, e.g. frustration, following, pathological, social, pro-social, affective, attacking, and defensive.

Popularly or in a narrower sense physical aggression is frequently associated with the notion of violence. In scientific literature it is virtually unfeasible to find a homogeneous definition of this term. Normally, definitions of violence are linked to three basic criteria: type of behavior, intentions and consequences of violence. [14, p. 20] The example of the first approach is the definition of the American National Centre on Child Abuse and Neglect which perceives violence as a physical or mental action concentrating on harming, sexual abuse, negligence or maltreating a child who has not turned eighteen by a person responsible for its suitable development, as well as actions which pose a threat to its development

It seems to be a relatively accurate definition is the proposition delivered by I. Pospiszyl who defines violence as the use of deliberate acts which strike at an individual's personal liberty or which contribute to physical or mental harm, which breaks the social rules of mutual relations [25, p. 14].

Similar to aggression, there are numerous classifications of violence. Researchers apply their own classification criteria. J. Melibruda lists the following types:

- Spontaneous violence accompanied by aggression, intense emotional tension (frequently out of control), strong frustrations, anger, anxiety, fury, fit of passion, lack of control over our behavior, or forms of expression: screams, blatant insults, fisticuffs, rapid infliction of pain, impulsive behaviors;
- Instrumental violence – well-planned, frequently sophisticated, actions with deliberation. Somebody who opts for this type of violence conducts a scenario of violence – recorded and established pattern of behavior which somebody has learned before [19, p. 40].

Other authors also distinguish interpersonal violence, that is violence occurring in direct interpersonal relations, as well as structural violence which is silent and natural and present in social structures, in social awareness, in socialization processes prevailing in a given culture. It seems that it does not concern the person directly. At school, for instance, there is no place for autonomy, one always has to adapt to certain principles, which can block students' maturity or development in the future. Considering school's functioning, one can also notice symbolic violence based on the legal right to impose and instill things which are favorable to the ruling class, which can be exemplified by the authority of educators. Educational activity is concerned with permanent and systematic instilment of rules and convictions aiming to internalizing specific behaviors and lines of reasoning [14, p. 30].

Since its emergence school evoked both positive and negative emotions. Its goal is to disseminate knowledge among students and to develop their interests, but it is simultaneously a venue where brutalization is on the increase.

Polish researches provide an evidence for clear brutalization of the school environment and increase in physical, mental and sexual aggression of students in relation to their colleagues. The collected data suggest that brutalization and violence complexity, as well as tendency to hide such behaviors from teachers intensify jointly with the increasing age of students.

According to the studies, students are mostly afraid of their aggressive and brutal colleagues. Sex is a variable which significantly differs between perpetrators and their victims. Speaking of boys, there are three times more bullies when compared to girls, and twice as much victims. Boys choose both their male and female colleagues as subject of violence and aggression, while girls harass other girls. As a rule, girls' harassment is concerned with excluding their colleagues from the group and discrediting them, whereas boys' bullying takes various forms of physical aggression. Most victims are physically weaker and find it more difficult to defend. Generally speaking, these are not particularly popular children both among their pupils and among teachers. They are separated from the group of peers, which may deteriorate their self-perception and confirm in their conviction that they deserve maltreatment. This psychological mechanism and fear of revenge are likely reasons why children rarely complain about bullies and refrain from attempting to find support or assistance.

Students who are aggressors are usually taller and stronger than their peers. Sometimes, aggression is a proof of courage which legitimizes further membership of a group. Harassment of this type can be found among both girls and boys. Harassing is often present within a sub-group whilst a harasser turns out to be a child who is highest in the social hierarchy. Following the so-called "pecking order", a child uses violence towards those who are lower in the hierarchy [31, p. 40-42].

The phenomenon of violence seems to coincide with the vision of social reality which is presented by critical pedagogues and adequate to assumptions they form.

More than fifty percent of all students perceive school as a source of negative experiences in terms of treating children. They claim that violation of dignity jointly with physical and verbal aggression dominates. They also point at didactic pressure, demonstration of power and lack of professional knowledge of teachers. The aforementioned situations indicate that aggression at school is its integral part rather than accidental element.

What is a significant factor influencing the issues in question are school's functionality?

Lessons are previously planned by means of imposed assumptions which are observed and therefore strictly monitored. Obligation is characterized by the fact that particular activities and tasks students have to perform are instrumental and serve to perform school's official tasks. There are also physical barriers which limit a contact with the external world: closed door, fences, walls and a strict division into subordinates and personnel render a school a total institution which rests on an obligation.

Obligation and violence are utterly different notions. Obligated results from the school's structure is not a proof of helplessness, hatred, stereotypes, and it is not determined as much as it is in the case of teacher's personality. Frustration, limitation of one's possibilities, as well as teacher's self-development plays an important role. An act of violence refers to any situation which hinders or prevents others from getting committed to the process of searching. Education at school and related non-verbal lessons, requirements with regard to reading obligatory books, methods of knowledge assessment, distances between a teacher and a student, promotion criteria are the elements which restrict free thinking, creative quests, which shall be the basis in the process of learning. Students are nothing but passive subjects compared to containers or vessels filled with knowledge. Their role is to acquire, store and reconstruct knowledge deposited by teachers. Such educational system causes the people to be insufficiently creative and unable to discover and reshape the reality.

There is also another type of violence in schools defined as imposing meanings and interpretations of cultural symbols. It is a symbolic violence which bases on a legal right to impose and instill things which are favorable to the ruling class, which can be exemplified by the authority of teachers. It is also about selecting certain meanings which are worth reproducing on the basis of criteria that cannot be taken out of any universal principle apart from the conviction that it has always been like this.

Violence has a long history and is commonly noticeable in social lives, but planned, systematic and consistent actions have been taken only recently. Violence in interpersonal relations is an issue which has been a subject of numerous scientific researches and specialist development, inter alia within medicine (neurology, psychiatry), psychology, sociology, pedagogy. One can see new press articles, TV programs and multimedia training programs which raise the social awareness.

The major objective of information presented in media is not only to attract audience's attention, but also change our points of view in terms of this phenomenon. The main advantages of promotion of this difficult subject are to raise awareness of the society, as well as remove the aura of secrecy.

What needs emphasizing is the fact there is a need to expand knowledge and promote information regarding the phenomenon of violence and its negative consequences both to an individual and the society [11, p. 355].

Media systematically inform about various forms of violence used both in families and institutions. Media present discussions on possible causes and conditions of such phenomena. Recently, Polish people were shocked by the news on violence in the area of school, where students used violence against a teacher. Television repeatedly broadcast a video recording which presented the full picture. There are also other less drastic signs of school violence which cannot be dealt with by teachers.

One can learn about teachers' public complaints regarding the increase in students' aggression and certain helplessness of the personnel towards acts of violence. The notion of violence is often associated with aggression whose one of major goals is to harm or cause suffering to others.

Violence refers to all intentional acts which affect a personal liberty or contribute to physical or mental harm and cross the boundary of mutual relations' principles. One has to remember that any form of violence used against any person is a violation of basic human rights, diminishes the sense of dignity, respect and trust to other people. Violence is a crime. Social stereotypes regarding violence sanction its use in relations with other people. No clear reaction and intervention leads to stabilization and escalation of violence. [2, p. 8] According to Tadeusz Pilch, aggression and violence are synonyms, despite its clear-cut differences in terms of phraseology and psychology [18, p. 20].

Barbara Krahe holds the opinion that violence is a subtype of aggression which entails extreme forms of physical aggression. She defines violence as a strong impact on a person or a possession in order to destroy, punish or control. She lists the following violence functions:

- 1) Change of an adverse situation or escape from it,
- 2) Positive reinforcements, that is achieving a specific goal,
- 3) Relieving a negative affective arousal,
- 4) Resolving a problem,
- 5) Gaining respect,
- 6) Attack on a culturally defined enemy that is a member of a devalued group [15. p. 19].

The basic types of school violence are physical and mental violence. Physical violence is a deliberate behavior which leads to a risk of body injury, regardless of whether it occurs or not. When describing a physical violence, one shall consider not only its symptoms, but also effects in the form of body injury and order of consultancy and medical treatment. It is not concerned with direct injuries, such as bruises and fractures, but also with distant health-related effects. Mental violence encompasses obligation and threats, threatening, emotional abuse (blaming, ridiculing, humiliating and manipulating one's blame), insults, persuading that one suffers from a mental disease, isolating or limiting contacts with others, limiting personal liberty in the form of preventing from using various facilities (e.g. a phone), blaming, denying and minimizing violence, exploiting others to take control, causing others to feel guilty. As it was mentioned before, mental violence can also be connected with destroying objects which are precious to another person, as well as intentional aggression directed at favorite pets.

Analyzing violence and aggression, it is indispensable to highlight the phenomenon of harassment which, incidentally, is present in the aforesaid phenomena. A person is a victim of harassment when he/she is exposed to negative actions of one person or large group of people for a longer period of time. Although each child probably experienced a certain form of bad treatment by elder pupils or stronger colleague, the notion of harassment shall be limited to experiences which meet the criteria of frequency, regularity and unevenly balanced powers. Unlike other acts of aggression which are associated with single or short-term attacks, harassment is normally a permanent and long-term process, which causes a victim to retain a state of fear or intimidation. Harassment can take an indirect or direct form. Direct harassment is a blatant physical oppression, while indirect harassment is based on strategies which lead to victim's exclusion and social isolation. Despite the fact that harassment cannot be deemed a crime, its negative consequences decide if it is perceived as aggressive and dangerous.

As far as aggressors' developmental perspectives are concerned, one has to underscore that young people, who are aggressive and harass their schoolmates, are clearly more likely to get engaged into troublemaking, such as crime and alcohol abuse. A number of publications put an emphasis on the fact that aggression among children and youngsters is in a way normative with respect to the age. It means that behaviors which intend to cause harm to another person can be observed among many or perhaps majority of members of these age groups. However, there are a proportion of children and teenagers who deviate from the normal development process. They demonstrate a high and permanent level of aggressive behavior, which cannot be considered normative.

In early school years differences in terms of aggression among sexes are becoming more conspicuous as boys are clearly more aggressive than girls. A wide range of studies suggest that aggressive behaviors are rare in the middle of childhood, which is a function of increasing self-regulation skills and social abilities. A pattern level of aggressive behavior changes during adolescence.

Aggression becomes more harmful and takes more socially organized forms. Groups of youngsters, frequently gangs, consist of teenagers who are rejected by their less aggressive peers. They are attractive to highly aggressive students and those who are responsible for a significant proportion of aggression [15, pp. 51-53].

Any form of violence can be used on school's premises. Usually, schools can perfectly cope with developmental crises (e.g. growing up) as they have a contact with them on a daily basis. They are well-prepared and ready to take suitable measures in case of fire. They are

however unprepared for situational crises in the form of drastic acts of violence which occur suddenly and rapidly. The main factor which has an impact on dealing with school violence is the personnel's knowledge of violence.

To recapitulate, it is necessary to state that aggression and violence are present phenomena but not widespread and common. Results of conducted studies serve as evidence. The fact that aggression is present in our lives is nothing new as it has accompanied us from time immemorial. What is horrifying however is the fact that it is an integral part of school life, a venue which prepares students for life in a social reality. It is an element which the entire society gets accustomed to, including teachers and students. The indicator of habit can be the frequency of encountering these negative and undesired phenomena of social life. According to the studies, the frequency is not inconsiderable and, interestingly, indicates an upward trend.

Aggression and violence is a broad and multi-faceted problem. Particular elements of this phenomenon are presented regularly in results of studies and their interpretations. It is worth emphasizing that secondary school students actively react to violence and aggression directed at them and their colleagues, and take specific actions.

The results of the studies show that students are not indifferent towards such undesired phenomena. It is also vital to pay considerable attention to education the youth is provided with in terms of learning about organizations and institutions which provide assistance to injured persons or those who are exposed to violence. It is a critical problem which has to be coped with as soon as possible. Therefore, it is necessary to examine educational facilities and the problem of aggression and violence. A teacher is a starting point as educators' roles are of paramount importance and it is an educator that can take measures to minimize sources of unwanted behaviors. Sensitizing the society is one of the most fundamental tasks to be performed by those who are not indifferent towards harm.

## DISCUSSION AND CONCLUSIONS

The fact that violence and aggression exist cannot cause the society to accept this phenomenon. School ought to be the place which provides people with suitable conditions and opportunity for proper development, as well as the venue in which the aforementioned phenomena are a secondary issue. Such objective shall be considered one of the major goals of all educational centers.

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## **Part II: ACTUAL ISSUES OF MACRO- AND MICRO- ECONOMICS**

### **ESSENCE, PRINCIPLES, MAIN TYPES AND FACTORS OF LABOR MIGRATION AT THE PRESENT STAGE**

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**Abstract:** *The article considers theoretical bases of the study of labor migration in condition of the world integration and about essence and principles of labor migration. Their main types and factors on modern stage of the development are described.*

**Keywords:** *migration, labor migration, integration, types to migration, the forms to migration*

### **INTRODUCTION**

The phenomenon of labor migration is known more than one thousand years. It incessantly changed the social order and the outlook of people. At all times this process needed management and control. Today it is quite a creative process taking an important place in life practically of each country. The problem of labor migration always was actually and for our country it became in recent years even more actually. Many people have the possibility of free entrance on the territory of other foreign countries. Generally people leave their own territory to other countries in attempt to find temporary or more highly paid work. Amplifying world division of labor promotes that migratory streams constantly go from one country to another, and involve both problems and benefits for the countries participating in the migratory process.

### **MATERIALS AND METHODS**

For the last decades there is an intensification of processes of migration, being expressed both in quantitative and qualitative indices: forms and directions of movement of labor streams change. This phenomenon now reached such sizes that the states and the international organizations, which earlier didn't have problems with migration, are compelled to unite efforts to solve the arising problems connected with migration.

Million people left native places and directed to other countries in search of material prosperity and disposal of an inequality. Unlike the developed countries which endured migratory boom and haven't been connected with continuous immigration, Russia faced intensive migratory streams in conditions when its economic base appeared in a crisis state. Gaining in recent years strongly pronounced ethno social and ethno political character, migration introduces amendments in life of local societies, influences policy pursued by the sovereign states, and the main thing changes personal characteristics of those who are compelled to move for other territories in search of quiet life and a better future.

The scientific literature didn't affirm uniform definitions of international migration concepts. The wide circulation received the definition offered by V.A. Iontsev within which the international migration is described on the basis of inclusion of all types of moving



through frontiers, including, trips and trips of frontier workers (which, for example, the United Nations exclude from concept of migration). I.V. Ivakhnyuk suggests being limited to the general definition of the international migrant concept without opening factors or durations of departure. The international migrant is a person making interstate territorial movements (the international migration) for the purpose of residence and work change, forever or for a certain term (from 1 day to several years). Taking into account the definition of the international labor migration can be formulated, proceeding from a fundamental sign – hiring of the migrant for work. The international labor migration is the migration connected with crossing of frontiers by the migrant for the purpose of their employment and obtaining of income on the basis of hiring in the country of entrance for a certain term.

The complexity of processes of population shift, the reasons, motives and their consequences promoted emergence of a large number of theories. In this work an attempt of synthesizing the main theories of the international labor migration is undertaken:

1. In the neoclassical theory the international migration speaks about an economic imbalance and an inequality between the countries, in particular, in wage levels that causes labor movement. Economic growth and emigration strengthening in the departure countries gradually reduce a gap in levels of a salary and incentives for migration.

2. The theory of the human capital is based that migration can be a way of investments into "the human capital", thus besides economic (monetary) benefits and migration expenses, also psychological expenses, and also influence of such non-material factors as climate, access to culture and the public benefits of higher level etc., which usually remain out of sight of neoclassical economic theories of migration.

3. The new economic theory of migration aspires to carry out synthesis micro and macro approaches. It recognizes that decisions on migration are accepted not by separate individuals, but collectively members of households or a family. The purpose of a trip abroad is maximizing the expected income connected with money transfers of migrants, and minimization of the risks connected with insufficient development in the country of labor markets, insurance and credits.

4. In the theory of the public capital attention is paid to the existence in the countries of entrance of rather large number of earlier arrived migrants which already created certain schemes of introduction in society of host countries, in a local labor market. Migrants also various state, public and commercial institutes acting as intermediaries between the countries where there is a demand for foreign labor, and the countries where its surplus is observed can be "The public capital". All this facilitates for potential migrants are influencing decision on migration, and arrangements in the appointed country.

5. The theory of economy of family migration explains the reasons and the migration directions from the point of view of a family. Optimum strategy of a married couple depends on degree of correlation of advantages which are seen from migration by the husband and the wife. This theory aspires to unite economic, social and psychological approaches.

6. The theory of the segmented (double) labor market interprets the international labor migration as a result of actions of structural factors. If workplaces in primary sector provide stable work and high compensation for national labor, the secondary sector offers low payment, lack of stability and modest possibilities of professional growth.

7. In the theory of the world work market it is considered that the market without having accurately designated territorial (geographical) borders is specified, is formed and functional as a result of labor export and import. Thus, the international migration of manpower is defined not only by labor supply and demand in these regions of the world, but also by distinctions in salary levels, world dynamics in political and other processes.

8. The theory of world systems recognizes that migration arises between the former colonial powers and their colonies more often. It is promoted cultural, historical, language, administrative, etc. by communications between them. Process of migration coordinates with development of a world transport network, means of communication.

9. In the theory of a new international economic order it is pointed to the importance of development of "the mechanism of fuller and fair compensation" to develop countries from the undeveloped state by the use of foreign labor, first of all, highly skilled.

10. According to the theory of prosperity or "technological development" migration bears in itself an essential positive impulse for economic and demographic development of the host country. Both immigrants, and temporary labor migrants' far block cost of social services which they use, value of that they make, consume and pay in a type of tax.

11. In the "attraction pushing out" theory migration is interpreted as a function of relative appeal of the countries of entrance and departure, and existence of the obstacles increasing in distance between these countries, considered as migration restriction.

12. In the theory of migratory networks that "migrants' pioneers" facilitate migration process is specified, as a result after passing the social migratory structure independently nobody a critical threshold supports migratory process. In the theory of cumulative causality it is noted that eventually migratory streams gain strong internal inertia that allows them resisting against manipulations of immigration policy.

13. The theory of migratory systems aspires to unite various concepts the international migration and recognizes that migratory streams between the countries of departure and the countries of entrance are determined by various factors; formation of steady migratory streams creating a certain uniform space (migratory system).

The most active theoretical development of international migration problems began with at end of the 60th within models of economic growth. Their main idea was that the international moving of labor as one of production factors, influences rates of economic growth, its reason were inters country distinctions on compensation level. Supporters of a neoclassical approach according to whom each person receives and consumes a limiting product of the work, consider that emigration leads to growth of welfare of the host country, and economic development of the state from which there is an emigration, remains the same or, in any case, doesn't worsen.

## RESULTS

Neo-Keynesians recognized deterioration possibility as a result of migration of an economic situation of the country exporting labor, especially if highly skilled workers emigrate. In this regard the idea of introduction of a tax on "brain drain" the income from which it was offered to transfer in the order of the United Nations was widely discussed to use for needs of development. In recent years the accent in the analysis of migration was displaced on research of accumulation of the human capital as an endogenous factor of economic growth of the countries. Recognizing that the saved-up human potential is the most important precondition of economic development, within this group of models the international migration is one of explanations of distinctions at rates of economic growth between the countries.

Migration of labor is the moving of able-bodied population caused by the reasons of economic characters. Depending on, whether country borders are crossed, distinguish migration internal and external. Internal migration leads to moving of manpower between regions of the country or between cities and villages, but population of the country thus doesn't change. External migration influences the population of a country, increasing it by the number of people which immigrates to this country, and decreasing it by the number of people which emigrates from this country. It is possible to allocate two main types of the international migration of labor [1]:

1. International resettlement migration;
2. International labor migration.

Historically original resettlement of population prevailed by migration as a result of which the considerable part of the population of the USA, Canada, Australia and some other countries was created. It assumed moving of migrants through borders of the states and residence changed forever. The international labor migration is a moving of able-bodied

population between the states under the influence of particular economic reasons, e.g. in search of earnings. Unlike resettlement migration assumes preservation of a continuous communication of the migrant with the homeland.

In practice it is rather difficult to separate these types of migration from each other. The definition of the term "migrant worker" contains in conventions of the International Labor Organization No. 97 and No. 143 and says that a "migrant worker" is a person who migrates or migrated from one country in another for the purpose to get a job. The made definition includes also any person which has lawfully driven in the country as a migrant worker. However it doesn't include boundary and seasonal workers, people of liberal professions and some other categories. Owing to such discrepancy the statistics characterizing migration of labor are a little underestimated and don't give a complete idea of scales of this phenomenon in the world economy. But the available statistics shows how important the role is played by migrants in the economy of those countries where they go to (countries recipients), and in the economy of the native lands which they temporarily leave (donor countries). In Kazakhstan the state program for developing a control system is based on migration. For the first time in this document along with the term "ethnic Kazakhs" the concept of "the compatriots living abroad" is used. In this concept our fellow citizens, irrespective of the national identity, once left Kazakhstan or living beyond its borders and intending to return are included in the country. We consider that it is more correct to call repatriates ethnic compatriots as the concept "oral man" is applicable only for those who were compelled to leave the country earlier under the influence of various circumstances. For the same who were born abroad and come back to the historical homeland, the given definition is incorrect. The reasons of the international labor migration have generally economic character. The following concerns them:

- Distinctions in level of economic development of the separate countries;
- Existence of national distinctions in the sizes of salaries;
- Existence of organic unemployment in developing countries (recently this phenomenon is widespread in the post-socialist countries);
- International movement of capital and functions of international corporations.

The greatest share of participants of the international labor migration is made by representatives of working specialties, but employees also take part in it. Searches of any work that only mean "not do to die from hunger" can be one of motives of participation in the international labor migration. Such reason is most characteristic for migration of the low-qualified labor from the countries with low level of economic development and a high unemployment rate. It generally takes place from Asian and African countries to countries of Western Europe, from Latin American countries to the USA and Canada, from the Southern and Eastern Europe to more developed countries of Western Europe.

But, along with it, there is also a migration in search of higher salary, more comfortable working conditions and life. These circumstances are also connected with non-uniform economic development of the countries. Such type of migration is connected, first of all, with migration of the qualified experts and scientists. Considering the world economy as a whole it is possible to allocate the following main streams of labor migration:

- from developing countries to the developed ones;
- between developed countries;
- between developing countries;
- from the post-socialist countries to the developed countries;
- Migration of scientists and experts from the developed countries to the developing.

In the development of the world economy the international labor migration started to play the greatest role after the Second World War. Now in total amount of modern international migration labor migration prevails. According to estimates of experts, in the early nineties lived about 25 million temporary migrants. Taking into account family members, seasonal and frontier workers, the total number were about 100 million people.

Disintegration of the USSR considerably strengthened the mobility of the population of the former Soviet republics that led to increase in number of the international labor migrants. Originally international labor migration had spontaneous character. But then host countries tried to enter it into an organizational framework. So, already at the end the 19th-beginning of 20<sup>th</sup> Centuries in Germany, France, Switzerland temporary hiring of foreign workers for the certain term providing their obligatory deportation, i.e. their departure back home was widely widespread. In the USA since the end of 19<sup>th</sup> Century control over immigration was entered. Now practically all countries of the world actively influence processes of labor export and import. State regulation is directed on gaining the maximum effect from positive consequences of the international migration and to minimize negative consequences of this phenomenon both for the donor countries and for the countries recipients. The international migration of labor can be carried out both on economic and noneconomic reasons, e.g. political and religious reasons, association and disintegration of the states, natural disasters, wars, environmental problems, reasons of personal character. Each of them and many other non-economic reasons are capable to bring and lead to large state moving of labor which will have the same economic consequences as the international migration of labor for economic reasons which are understood mainly as inter country distinctions in compensation. Migration of labor conducts to alignment of levels of compensation in various countries.

As a result of the international migration of manpower, the goods of special properties moved abroad. Its basic difference from other goods is that the labor is a factor of production of other goods. The country exporting labor usually receives from its emigrants a peculiar payment for such export in form of transfers back home of parts of their income. In the conditions of relative redundancy of manpower in many countries export of labor helps to reduce unemployment, to provide inflow of monetary receipts from abroad. But, on the other hand, outflow of highly skilled labor leads to a decrease in technological capacity of the exporting countries and their general scientific and cultural level.

The most acceptable quantitative indices of inter country moving of manpower are the indicators fixed in the balance of payments. The nonresident in this case considered the individual being in the country less than a year. If a person stays in the country more than a year with a view of statistical account, he/she is reclassified as a resident. In statistics of the payment balance the indicators connected with migration of labor are a part of balance of current operations and are classified under three articles:

- The labor income: payments in form of salaries and other payments by cash or natural products got by private nonresident people for their executed work. In this category are also included all payments of pension, insurance and other funds connected with nonresident employment. All foreign workers being in this country less than a year, including seasonal workers, commuters between the countries and also local staff of foreign embassies.

- Moving of migrants: an estimated money equivalent of property of migrants which they transport while moving to another country. Thus export of property of emigrants in nature is shown as export of goods from the country and its estimated money equivalent.

- Transfers of workers: transfer of money and goods of migrants to relatives who remained in the homeland. In case of transfer of goods their estimated costs are considered.

The basic difference between "the labor income", movement of migrants and transfers of workers is that "the labor income" is considered as income of nonresidents, which i.e. are temporarily living in this country. At the same time moving of migrants and transfers of workers show income and expenses of residents from migrants, which left from their homeland and remained abroad, at least for more than for a year. These two points unite within the current operations in a group of private unpaid transfers. Private unpaid transfers are an estimated money equivalent of the property, moved by migrants at the moment of their departure abroad and the subsequent parcels of the goods send home. Distinguish the internal migration of labor occurring between regions of one state and the external migration

mentioning some countries. The science of international economy is engaged in external migration of labor and its economic reasons. The main concepts used at studying problems of international migration are the following:

1. Migration of labor: resettlement of able-bodied population from one state in others for more than a year, caused by the reasons of economic and other character.
2. Immigration: entry of able-bodied population into this country because of its limits.
3. Emigration: departure of able-bodied population from this country out of its limits.
4. Migratory balance: the immigration difference between countries.
5. "Brain drain": international migration of highly-skilled staff.
6. Return migration: return of emigrants back home as a constant resident.

Depending on time staying on other countries' territories (or other region of a country) allocate continuous, temporary and pendulum migration.

Continuous (long-term) migration is characterized by the number of arrived or left constant residents. Thus in some countries foreigners are considered as immigrants (emigrants) if they are present (or absent) in the country during a certain period of time.

Temporary (short-term) migration represents entrance or departure connected with the current requirements without changing the nationality and constant residence. However in many countries among temporary migrants exclude the number of seasonal workers.

Pendulum migration is a special type of migration depending on time and represents movement working to a work place from one region in another and back to the place of residence in case the term on a constant place is less than one week.

Main types of population shift include migration contingent (political), emigration, labor (immigration) compelled, ethnic and religious and also migration of military personnel. Thus contingent migration is an organized form of labor movement (as a rule, from one state to another), made by means of state bodies calculating possible numbers of manpower for certain professions and for strictly certain terms, depending on needs of the country in reception of migrants. Intra republican migration is a migratory exchange of the population within the RK. Distinguish population shift external (intercontinental, interstate, international) and internal (interregional, intra regional, intraregional).

In real dissertational research intra regional (internal) migration is a movement of the population within separate regions of the RK, and interregional migration when the population moves between regions within the RK. In new social and economic conditions of development of the RK one of the main regularities of migration is its selectivity on age. Migrants of able-bodied age are still most active in the migratory relation and steadily make about 70% of a cumulative migratory turn of RK. And more than a half of them (41-42% of all migrants) are persons at the age from 20 till 40 years. More migrations are subject persons of able-bodied age of which share 72,8% of immigrants and 69,9% of emigrants. As a whole all over the country 207 immigrants of the same age category are the share of 100 emigrants of able-bodied age. Thus essential distinctions in age structure of such flows of migrants both internal, and external, the official statistics doesn't note. However, specific weight of persons of able-bodied age in inside republican migrations after all a little more than among external migrants according to 70-72% and 64-68%. It is a reflection of distinctions in causal and factorial conditionality specified above the migratory streams of different range influencing territorial activities of different age groups of the population. Now, despite strengthening the influence on migration as a complex of the ethno political factors stimulating migratory activities practically of all social and demographic groups, social and economic conditionality of resettlements after all remains defining.

The main forms of population shift have character economic, social, compelled, voluntary or compulsory. The international labor migration is the most important component of the international population shift and is characterized by such lines, as voluntariness, temporariness, recoverability and economic motivation. A labor migrant is a person who moves to another country for the purpose of employment to the foreign physical or legal entity.

The SPENDTHRIFT allocates some categories of migrants [3]:

- 1) Seasonal worker migrants: people working in a state, not being in their own state, during some part of the year because the work they carry out depends on seasonal conditions;
- 2) Migrant workers connected with project implementation: the migrant workers are allowed to stay in the state of employment for a certain period of time working exclusively on a certain project;
- 3) Migrant workers working on contract which establishes restrictions on term of employment and the work which is carried out by the migrant;
- 4) Temporary migrant workers: person allowed in the country, not being in their own country, for performance during limited term of a certain professional activity. They can change employers and renew the work permit without necessity of departure from the employment country;
- 5) Located migrant workers: migrant workers who stay after in the employment country within several years (residence permit) with uncertain term and work permit without special provided restrictions. The located migrant workers don't need to leave the employment country when they have no work and have the right of reunion with members of the family usually provided to them in the frame of legal conditions;
- 6) Highly skilled migrant workers: migrant workers whose, thanks to their qualification, preference mode is provided at the admission to the country which is not their own country, and who extend less restrictions concerning terms of staying, changing of place of work and family reunion.

## DISCUSSION AND CONCLUSIONS

The migrant worker can appear as a legal or illegal hired worker. In this regard, in the analysis of international labor migration it is important to consider the existence of a big group of people which formally moved to another country not for the purpose of employment and aren't migrant workers, but can become hired workers in the host country. They treat as foreign trainees, tourists, foreign students and refugees. The complexity of the analysis of international migration substantially consists in high elasticity of types and forms. Migrants can change the status in connection with changing living conditions of migrants, social, economical and political changes in the entrance and departure countries, etc.

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## A MODEL CONSISTED OF 5 TETRAHEDRAL NETWORKS AS A SCIENTIFIC RESEARCH APPLIANCE

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***"We are drowning in information but starved for knowledge" (John Naisbitt)***

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**Abstract:** *The study introduce a model consisted of 5 tetrahedral network. In the course of researches the model supports comprehension, transparency. This model consisted of 5 tetrahedral network is appropriate not only for structuring, systematizing data, but ensure opportunity to determine central elements and to reveal the connection between data. The model have already been applied to organize data structure of data from international researches (Novalog, Central), as well as it was also proved useful for practical life, in the course of creating a job description, composed of 5 tetrahedral network.*

**Keywords:** *scientific research appliance, data, model, five tetrahedral network, multidimensional data model, pedagogy*

### INTRODUCTION

A scientific model consisted of five tetrahedral networks, is going to be introduced in the study. The creation of the model was also established by several international researches, in the core of which different statements, analysis had to be done along different combination, structure and deepness of data. Connecting to the topic, aggregation of further relevant data was also required. These different data made the creation of a multi-dimensional spatial model (Mazón et al, 2009) necessary, seeing through this the data structure and their interaction, creation of a mental schema was possible, regarding the available data. The quick, efficient elaboration, interpretation of data is supported visually. Because of historical reason the two-dimensional visualization was dominant for a long time.

However, in case of multivariate research planar visualization come up against barriers. It is also difficult to put together the information effectively, in a physical way. In recent time the decision cubes have spread, which support decision making (Online Analytical Processing) (Kimball, 2008; Kimball-Ross, 2002). In these, the previously collected information is stored in multidimensional "prisms", which enable quick, different purpose query.

### MATERIALS AND METHODS - RESULTS

1. *The general introduction of the model:* The first concrete usage of the general model was connected to the recent time more popular competence analysis. Competences can

be grouped in different ways. The side of the tetrahedron suit for certain grouping aspects. After that the model is also used for modeling job descriptions in 3 dimensions. In case of creating a spatial job description – as well as for investigations in other aspects, topic – it is also applicable, primarily at research centers, in educational institutions and at companies.

The main point of the model is that through it we can see and let others to see data on the whole, according to different grouping and aspects. If we suppose, that in the course of a research we have to reveal different connections in the course of queries, statements, then recognition and knowing the connections between the available data is very important (Abonyi, 2006). In the course of analyses the model ensures possibility to introduce and reveal different connections. Different aspects needed to be taken into consideration while creating different analysis, which can be described by grouping of different data and information received from the connection of them. With the support of this model the connection between data can be introduced.

The aim of creating the model is to see through and not to lose data, from which important information can be extracted. This model is especially significant, in the early period of researches, when negligence of important factors can eventuate that the research has to be repeated.



Picture 1: The model is suitable for exploring reason-effects, piece-whole relations, for introducing interactive factors and logical connections

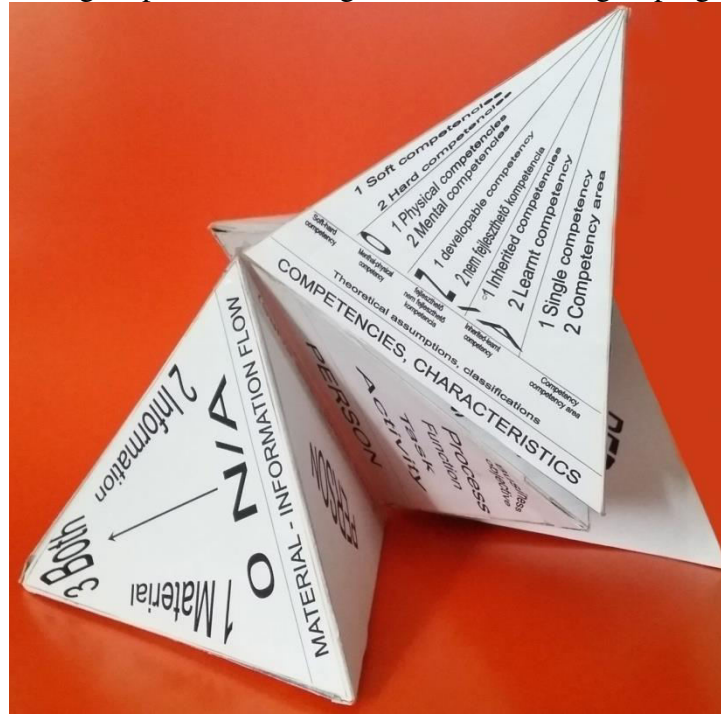
The general aim of the model can be formulated in the followings (Picture 1-4):

- creation of a mental schema for researchers and practicing professionals;
- retrace of data structure in case of different deepness and elaboration of their availability;
- visualization of correspondence of multidimensional aggregation of data, namely to see and let other to see the connections;
- "taking in hand", seeing through connections secede from virtual space;
- easy way of presenting correspondence and revealing of connections, supporting the possibility of analyses;
- malleable opinions, the ability of rotation, the model can be converted into different figures, thus the demonstration of connections can be realized in case of sides and vertices being on each other;
- efficient extension by using more tetrahedron, or in case of fractals;
- pursuance of changes (refilling of data – conduction of changes);
- determination of the centre element/elements of research;
- Revealing reason-effect, piece-whole relation, revealing of interactive factors, logical connections;



- exploration of horizontal, vertical dispersion in data structure;
- connection network;
- Groundwork of data structure of multidimensional data model. (Stackowiak-Rayman-Greenwald, 2007; Chaudhuri – Dayal, 1997).

The 2<sup>nd</sup> picture shows an application example for visualizing connections being revealed during the given research. The formation of groups can be observed well. This concrete repartition is not necessary and general, during the given research this seemed to be practical. It can be seen that, we have done multifarious grouping for the functions simultaneously. Encoding helps in elaborating data connected to grouping.



Picture 2: Presentation of horizontal, vertical setup of the model

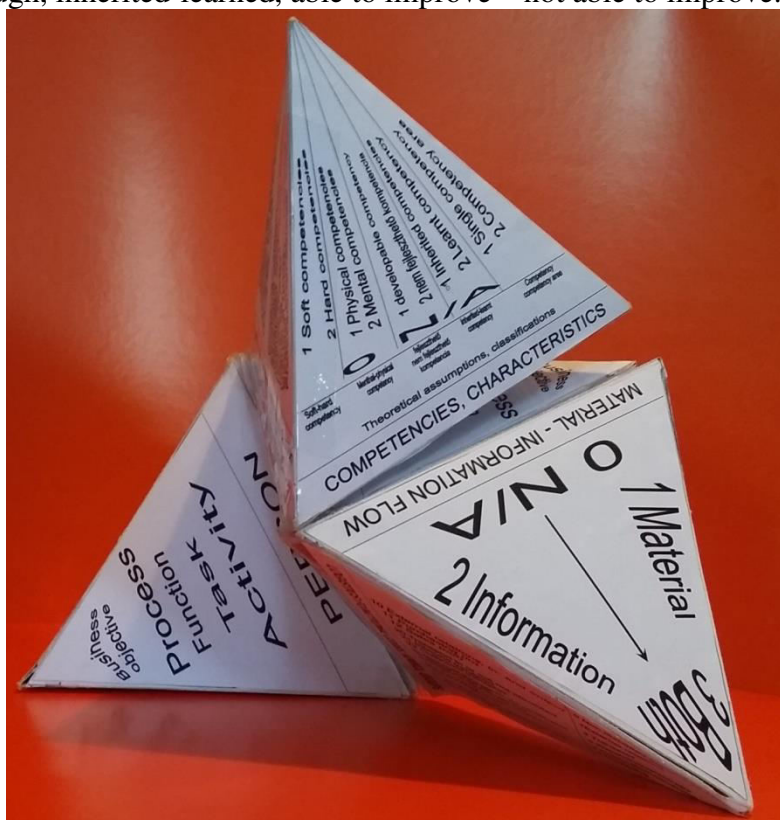
The presented general model has been developed in the frame of a special, multidimensional data model. The model is appropriate for revealing, presenting reason-effect connection, piece-whole relation of investigational factors, elements. It represents unequivocally and graphically, and through the ability that it can be rotated – it defines the interacting and influential factors, as well as it is suitable for mapping the connections between them. The model is able to define central elements, factors. In this case the person and the work-organization stand in the centre (Picture 1). The model is suitable for discovering logical connections, namely it can present what kind of "whole" the given factors give, and from what parts it is build up. Thus, the model can be perceived as a "connection network" which uses the special form of a tetrahedron, it is also suitable for demonstrating horizontal and vertical configuration. Taking the formal appearance of the model, and through its ability to move, it can form special configurations, so it is suitable for representing connections between contents situated on each side.

2. *The linking points of the model*, and so the ability to move in special direction, an important specification of the spatial model, namely it is important, on which edge of the elements are connected together and what other configuration can be formed, so revealing new connections between "contents" indicated on the edge, or between "contents" of sides connected to peaks through rotation. The appropriate phasing of edges creates connection between certain aspects. This layout creates a reflective schema for finding and mapping connections. The model that can be seen in the third picture is an application of a special competence-model. Thus it is suitable for revealing, presenting connections between factors of investigation, according to the labels of the side.



Picture 3: The model can be transformed into special configurations

In the fourth picture an example can be seen for a grouping regarding to more aspects. On the first level the different aspect can be found for example toughness, the possibility of realizing, and the possibility of improvement. On the second there are groups according to this, e.g. soft-tough, inherited-learned, able to improve – not able to improve.



Picture 4: The model supports considering the data structure in case of different profundity and elaboration of data being available

3. *The technical implementation of spatial job description:* The creation, utilization and distribution of the model are possible on multifarious ways. The realization can be physical – plastic, paper – or virtual: with software. In this case the 3D barriers can be solvent; more aspects can be taken in consideration. More people can work on the model, even with telework.

- In form of a physical model.

This time the basic structure is configured by creating bare tetrahedron carriers from paper or plastic. The users can fill them with concrete content by using stick-on label, which are created separately. These can be exchanged, so the model can be utilized again, even beyond competence analysis, in aspects beyond job descriptions.

- In form of realization with software

In this case the model is made in a virtual way. The filling is made by the purposive construction of texts. The visualization is in 3D, possibly with anaglyph method.

Beyond spatial mapping, the construction of logical connections of the model can also be done by an interactive surface with knowledge engineering aspect. From this the surfaces can be generated. In this case the supply of possible criterion comes from a knowledge base. After the analysis of cases in appropriate number, proposals can be made for criterion connections, on statistical base, considering not only individual tasks, but group of tasks, consequently for example the synergy of tasks and competences being taken into consideration.

The importance of criterion, the access level at evaluation, can be also taken in the model. In this manner the model can be used not only by designing (e.g. in case of job descriptions the job description itself), but also in the course of realization (e.g. evaluation of scope of activities by applying job descriptions). The three dimensional barrier can be dissolved in case of realization with software. The software is a product that can be bought in box, or it can be distributed on the internet.

The model consisted of five tetrahedron network, is a graphic appliance that makes the content of information and connections tangible. With this it supports more:

- revealing and realizing correspondence,
- creating connections with aims easy,
- Communication.

With the future appearance and spread of 3D presentation techniques, widespread application is probable, since information can be transmitted efficiently, by physical visualization of connections. Then the probable applications are going to spread comprehensive, beside analysis and competences and spatial job descriptions to displays, for persuasions.

This trend is supported by stronger and stronger 3D visualization opportunities of computational operating systems. (Pl. MS Windows 7, WPF)

## **DISCUSSION AND CONCLUSIONS**

In general it can be determined that, the general model can be identified with the following specifications.

- specification regarding to shape (network of 5 tetrahedron);
- specification regarding to fitting;
- specification regarding to contents of pages connecting to edges and peaks, logical connection of pages catching each other;
- in one element 6 edge catching can be defined;
- the primary element of the system is a central tetrahedron, connected to more tetrahedrons on the edge;
- from this primary element more central tetrahedron can be connected to a bigger framework;
- and from connections chains, networks can be created.

The model stands under designer sample protection ('patent') (90 806 D0500121) specialist can experience its practical benefit and significance through application.

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# INNOVATIVE POLICY FOR PROCESS INEFFECTIVE TOOLS OF PERSONNEL DEVELOPMENT IN OIL COMPANIES IN REPUBLIC KAZAKHSTAN

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**Abstract:** *At the moment one of the most important strategic objectives of public policy, which is requiring solutions for building an effective innovative model of Kazakhstan's economics, is the development of the human potential. In turn, it requires forming and developing the strategy, policy and tools to train highly qualified human resources which are capable to realize the rapid modernization of domestic industry through the creation of knowledge-intensive industries whose products will be competitive in the international market.*

**Keywords:** *human resources, human potential, innovations*

## INTRODUCTION

In the context of integration processes' activation which takes place in domestic economy it is necessary to consolidate the efforts of industrial enterprises in order to minimize the negative effects caused by the instability of the macroeconomic situation. Most important is the formation of strategic human resource development programs for all activities which are based on integrative forms of education. Vertical integration is widespread in Kazakhstan. It consists in joining businesses, which connect the production of each other by cycle of technological processes that, for example, is typical for the oil industry. Kazakhstan's oil and gas sector specialists have recognized already that successes all industries and business entities will remain at the level of tactic interests without human development and competent decisions of personnel matters (from training to professional activities). At the moment companies are investing significant financial resources in personnel training and reforming of social and labor relations. Practice shows that strategic mistakes of some leaders the major oil companies have contributed to the revision of personnel policies. Conceptual and methodological bases of innovative development and HR-management were considered by foreign scientists J. Schumpeter, H. Hartmann, B. Twiss, P. Nixon, B. Santo, F. Valenta, T. Brown, B. Rapport, I. Pinningo, P. Drucker, M. Porter and others [1]. However, detailed evaluation of human resources and basic aspects of its development in the oil and gas industry are still not described and undiscovered.

## ACTUALITY OF OUR RESEARCH

Marketing researches of domestic labor market show that today highly qualified specialists in the oil business are absent. This fact confirms the need to form of intra-corporative training system and retraining staff, which should be realized in accordance with the core competencies of vertically integrated oil company. The main goal in HR-management is the maximizing of human potential and developing their creative possibilities. Human resource management in the oil and gas industries covers the following complex tasks: 1) definition of requirements for working staff according to specific strategies oil and gas industries; 2) assessment of the labor market and the analysis of employment factors; 3) planning career of staff, their development and management of labor productivity; 4) regulation of labor income; 5) stimulation the creative work; 6) improving vocational training; 7) creation a favorable social and psychological climate inside enterprise.

## MATERIALS AND METHODS

Scientific cognitive methods constitute the methodological basis of our research. First of all, the dialectical method is applied, which provides a systemic approach to solve organizational and socio-economic issues in the context of researched problems.

## PRECONDITIONS OF RESEARCH

Initially, human capital includes the total investments to raise labor human abilities, i.e. its educational and professional skills. Thereafter, this concept became widespread and further development. Last World Bank experts calculations include in human capital such consumer expenses as family costs for food, clothing, housing, education, health, culture as well as government expenses for these purposes. Today, human capital is an intensive productive factor of economic development, social development and family development, including education of employees, getting new knowledge and tools of intellectual and managerial work. Moreover, the national human capital is an integral part of the economic wealth of the country. In the oil and gas industries the main objectives of HR department are: 1) to hire a highly qualified staff for production/servicing; 2) to provide its development, training, adaptation, validation, assessment the level of specialization; 3) to provide the effective work organization; and 4) to create adequate stimulation system and motivational settings. In the oil and gas industry HR-management includes rational using and development of human potential as well as creates the basis for the needs of tactical, operational and strategic levels of management, where the personnel policy and human resource management dominate. It is also the basis for the corporate governance and political governance, where personnel policy is implemented [2]. In the oil and gas industry HR-management is handled by such components as staff policy, selection, manpower planning, labor audit, analysis of working places, labor stimulation, career planning, assessment of individual motivation, subject areas (such as HR constitution) and executing objectives of certain obligations. Let's consider HR policy of the joint-stock oil company "KazMunaiGas" as an example. Creating the necessary working conditions and opportunities for individual and corporative development is a priority of social and personnel policies in this company. Enhancing the role of staff in the implementation of the enterprise's strategic directions is too led to the development of effective HR policy. This company conducts an annual deep analysis of the staff in order to observe dynamics, key indicators and problematic areas of staff policy. Company makes forecasting and staff planning. Certain criteria of quantitative and qualitative assessments of staff are compared with analogical indexes of large oil and gas companies (benchmarking) for the analysis of achieved results and further settings of short- and long-term goals. Joint-stock oil company "KazMunaiGas" permanently forms staff reserve for managerial and administrative positions from the employees, who are motivated on career growth and who has a high level of professional and managerial skills. Creation of staff reserve is necessary to ensure the enterprise with the highly qualified staff. Employees of staff reserve have preferential rights to participate in professional development such as individual long-term training, rotation in the group of companies, segments, internships, etc. The staff reserve allows to reduce costs for hiring, selection and adaptation of new employees, as well as to build a mechanism of investment in staff development that increases employee immaterial motivation and promotes their retention in the company. On January, 1, 2013, the average number of employees was 84,349 people. 99.8% of staff is employed in conditions of permanent full-time employment. Structure of the company's staff is presented by such categories: administrative and managerial personnel (13%), productive staff (86%), and staff of social sphere (1%). Administrative and managerial staff is presented in such categories: high (4%) and mid-level (17%), professionals (46%) and employees (33%). 77% of employees in the company are men. This is explained by heavy, dangerous and unhealthy working conditions. The main share of the staff are employees aged 30-39 (28.9%) and 40-49 years (29.3%) [3]. Over recent years the number of employees in the company is increased. According to Table 1, the turnover rate in the company fell by 2.6%. Staff turnover in the group of companies of joint-stock oil company "KazMunaiGas" does not exceed the average in the industry. This situation is observed in LLP "KazakhTurkMunai" (26%), LLP "KazMunaiGas-Service" (19%), LLC "Semser-Security" (32.2%), JSC "Kazmortransflot" (35.8%) and LLC "KazGerMunai" (26%). It should be noted that the natural turnover rate (3-5% per year) contributes to the timely renewal of staff and does not require managing intervention. In market

conditions the relative stability of staff is observed. Turnover rate in this case varies within 5-9% [4]. In the strategic plan of the company it is planned to increase the number of engineering and technical workers and blue-collar occupations. For example, in 2015 it is expected to increase headcount by 7.526 people, including blue-collar occupations to 7.377 people. The greatest need of company is the employees in the sea oil and gas operations [5].

Table 1

Dynamics of staff indexes in company

Index	2009	2010	2011
Turnover rate, %	11,6	9,4	9,0
Overall staff turnover rate, %	21,8	52,6	13,2
Turnover rate hiring, %	9,6	42,8	4,0
Turnover rate dismissal, %	12,2	9,8	9,2
Replacement rate, coefficient	0,79	4,4	0,44
Stability Index, %	91,9	93,3	93,7
Constant Frame, %	88,0	90,2	90,8

To ensure the sustainable development of the oil and gas industry in Kazakhstan one of the most important areas of innovative management is a technical norm and scientific organization of labor. In petroleum industry implementation of the scientific organization of labor is a factor of increasing income and improving labor productivity. In oil-producing departments key indicators are the average number of employees and the average salary. At the same time salary is a factor of effective labor organization. The basis of wages is the law of labor division; this is the final result of labor consolidation of employees. Consequently, the implementation of different forms and wage systems in the new economy is a result of the law of distribution that can improve the standard of living as well as improve the performances of quantity and quality of work.

## RESULTS

Thus, it is possible to identify the main features of HR-management in the oil and gas industry at the moment: 1) all administrative tasks performed by top-management of the oil companies include social and labor relations; 2) it is necessary to attract only highly qualified personnel to the activity of the oil companies; 3) it is necessary systemic solution of management tasks based on a common program. In petroleum industry the effectiveness of achieving the objectives depends on the choice of variant of HR-management system in the enterprise, its regulatory and managerial mechanisms for the selection of optimal technologies and methods to work with staff. Managerial objectives are achieved through the implementation of tasks aimed at a result.

## DISCUSSION AND CONCLUSION

It should be noted the need to develop and establish an effective strategy and policy in personnel management. Their goal will be to strengthen and develop human resources, increasing the company's value by gaining a competitive advantage in human capital. It is important to add that this HR instrument is focused on attracting, developing and retaining highly skilled workers and providing advanced HR-management practices. The realization of mentioned technologies will establish an effective HR-management system and will lead to the formation of a cohesive and professional team.

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# STATE OF ILLEGAL LABOR MIGRATION IN KAZAKHSTAN

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**Abstract:** *This article deals with the problem of illegal labor migration in Kazakhstan. In particular, it raises questions about the reason for the appearance of illegal migration, its classification. In general, this problem has its own consequences that affect and in the future may have an impact on the economy of Kazakhstan.*

**Keywords:** *illegal migration, labor migration*

## INTRODUCTION

According to the latest forecasts of the Ministry of Labor of Kazakhstan an additional need in the workforce in 2015 will amount to 500 thousand people that means, the need will increase annually by an average of 60 thousand people. At the same time, according to the Statistics Agency, the number of unemployed in June 2012 amounted to 599.8 thousand people; the unemployment rate is 7.1% of the economically active population. For comparison, in 2011 the unemployment rate was 7.8% (625.4 thousand of unemployed people), 8.4% in 2010, 8.8% in 2009 and 12.8% in 2006.

That means each year the number of unemployed in the country decreases. But the growth of the number of employees does not testify about a fundamental improvement of the situation on the labor market, as the number of unemployed and the unemployment rate remains high. The problem of migration in one form or another was raised on the pages of newspapers and magazines of Kazakhstan more than once. And, apparently, we have nothing to add. But day by day the migration processes attract more and more attention by the scale of its effects. Both, the ones they already have, and those, which can happen in future in relation to almost every aspect of national security.

In this context, the impact of external migration on employment of the domestic population is a particular concern [1]. In regional perspective the highest proportion of registered unemployed in the economically active population (as in June 2012) is in Pavlodar region (1.9%), West Kazakhstan and Kyzylorda region (1.3%), East Kazakhstan and Atyrau region have 1.2% each, the lowest proportion is in the city of Astana (0.5%) and Almaty (0.6%). To some extent, the migration flows of labor from abroad contribute to aggravation of the situation in the Kazakh labor market. The closest interstate migration communication links remain between Kazakhstan and Russia, Uzbekistan, Turkmenistan and Kyrgyzstan. According to the Statistics Agency of Kazakhstan, 64,199.0 people legally entered the republic from these countries in 2011. Thus relative density of working-age persons in the number of immigrants was about 70%.

## MATERIALS AND METHODS

At the same time currently the bulk of labor migration in Kazakhstan is predominantly of illegal nature (fully legalized in Kazakhstan are only highly paid foreign experts in the leading sectors of economy), what is one of the core problems from the standpoint of national security.



## RESULTS

1. Causes of illegal migration: The main reason for the growth of illegal migration from Central Asian countries to Kazakhstan is an increasing gap in economic development between Kazakhstan and other republics of the region. The labor market in Kazakhstan, on a number of objective reasons, has become very attractive for citizens of Uzbekistan, Tajikistan, Kyrgyzstan, partly for Turkmenistan and China. Information on the number of illegal migrants from Central Asia in Kazakhstan is now quite controversial. It is estimated that during the year over 700,000 foreigners came into the republic and most of them (about 600,000) from CIS countries. At the same time the number of illegal migrants is increasing every year.

2. Classification of illegal migration: Conditionally illegal immigrants, who come to Kazakhstan from other Central Asian republics, can be divided into three groups. The first group includes the citizens of neighboring countries who bring vegetables and fruits on the border markets in the mornings by passing rail, road or other transport, and return home in the evenings [2]. The second group is seasonal workers. Builders, shepherds herding cattle on distant pastures, harvesters, irrigators, etc. constitute the majority basis. The third group is foreign citizens who live a long time in the adjacent territory, engaged in shuttle-trade and other businesses. If the first two groups consist of employees and are totally dependent on the employer, the latter is the self-employed foreign illegal who occupy a niche of domestic entrepreneurs.

3. Influence of labor migration to the domestic market of labor: In this case, the negative impact of labor migration on the domestic market of the country's labor can be connected with the following points:

First, migration leads to increased economic pressure on the southern region of the country in general. The basic amount of legal and illegal migrant workers from neighboring countries is concentrated in large cities and the southern regions of the country. Basically legal migrants settled in South Kazakhstan, Almaty and Mangistau regions. However, the largest number of economically active population of the country (more than 30% of the total amount) falls on the southern regions (Almaty, Zhambyl, Kyzylorda, and South Kazakhstan). Regional economy of southern Kazakhstan is experiencing the same transformation as the entire economy of the republic as a whole. However, a larger (as compared to other areas) overall density of the population, the prevalence of the rural population here, the greater natural increase (hence - and an increasing number of economically inactive population) comparing with other regions of the country increase the level of concentration and intensity of the load in the economic sphere. Furthermore, the excessive concentration of migrants within a particular territory can narrow the access to housing and social services. This means that there will be additional factors in the social differentiation of the population, the threat of marginalization of the new part, and as a consequence further deterioration of the situation of groups, already pushed back on "the margins" of social life, the emergence of protest potential among marginalized groups, forming points of potential conflicts. In general, enhanced inflow of illegal migrants in Kazakhstan (especially in the southern regions) can additionally complicate the socio-economic situation of the local population and provoke the growth of social tension [3].

Secondly, due to the migration (especially illegal migration) from the territory of the Central Asian states, the competition for the work places in some sectors of the economy of southern regions and major cities increases. Among the employed population in the areas of the southern region the number of self-employed workers is almost 50%. A considerable part of them is exercising self-employment in agriculture, as well as in the retail sector and in providing transportation and other public services.

Illegal migrant workers in the southern regions tend to secure the employment precisely in these areas. In particular, now the main labor investment spheres of illegal labor migrants in Kazakhstan has become the construction (mostly private buildings) and

agriculture (crop cultivation, picking of cotton, vegetables, tobacco, etc.) in addition to the traditional trade in the markets.

Third, the illegal migrant workers contribute to an imbalance of price conjuncture of the local labor market. Requirements to the wages and working conditions in the category of illegal immigrants are significantly understated. In this case, despite the presence of their own unemployed persons, employers of course prefer to take such workers. According to experts, the difference in the level of payment for local and foreign workforce ranges from 10 to 50%. It should be noted that in the regions of predominant localization of illegal labor migrants the average income of the local population are sufficiently low. In particular, in 2011, according to the Statistics Agency of Kazakhstan residents of Zhambyl and South Kazakhstan regions had the lowest money incomes in the country. In general, in connection with the above circumstances illegal migrant workers are largely the source of all sorts of social and economic problems of the local population.

Fourth, illegal migrant workers contribute to a significant increase in the total number of unskilled workers. The vast majority of the unemployed in Kazakhstan are workers - about 60%, including almost half of them are unskilled workers. At the same time unskilled workers, low qualification workers without higher and special education come to Kazakhstan mainly from Central Asia Continuing deficits of highly qualified personnel and manpower at increasing imports of unskilled migrant workers can actualize negative motions in the economic development of the state [4].

Fifthly, the influx of illegal immigrants promotes the growth of the informal sector. In general, illegal immigrants tend to employment mainly in the informal labor market, serving the scope of the shadow economy, which, on the one hand, does not require legalization of its status, and on the other hand provides large opportunities for the rapid achievement of material prosperity. In this case there is withdrawal of income from taxation. Inadequate attention of national legislation in the field of regulation of the activities of migrant workers has led to increasing amounts of factor payments that are beyond tax assessment. Enterprises using illegal labor do not fulfill the obligation to pay the corresponding taxes.

4. The fields of activity of illegal migrants and the income they bring to their country. Use of illegal labor migrants is mainly extended to small and medium-sized enterprises, for which the size of the wage fund affects the results of economic activity. However besides medium and small enterprises, the use of illegal labor is also common in large enterprises engaged in highly profitable industries. So, in due time, a group of 21 Turkish citizen, who were not registered was found on one of the construction sites of Astana. The violations of Kazakhstan laws and import of foreign labor from Indonesia, Pakistan and other third countries were also found in the oil sector and in the sector serving it.

The existence of a visa-free regime between Kyrgyzstan and China, on the one hand, and Kazakhstan and Kyrgyzstan, on the other, makes Kazakhstan attractive for Chinese migrants. One of the indicators to measure the volume of employment of Chinese citizens in Kazakhstan is the article "Workers' remittances" of balance of payments, reflecting the removal of income from employment. In the past few years there has been a steady increase in this indicator (74.3 million dollars in 2006, 143.3 million dollars in 2007, 286.2 million dollars - in 2008, 421 million dollars in 2009 and 805.8 million dollars in 2010). In 2005-2011 a tendency of remittances growth from Kazakhstan to China, as well as from other countries remained. Experts estimate that up to 90% of this figure form remittances of Chinese workers and businessmen who trade in the markets of Kazakhstan.

In 2011, China received from its citizens working abroad, 22.5 billion U.S. Dollar, and, according to expert estimates, another 60% of this amount was received by the Celestial Empire "in gray". With regard to Kazakhstan we can say that, as in other countries, Huaqiao send money to their homeland, ignoring the tax laws of the country of residence/location [5].

It is enough to remember 2005, when the Agency on Regulation and Supervision of Financial Market and Financial Organizations decided to suspend the license of the Bank of

China to make money transfers for individuals for 6 months, due to the fact that the prosecutor of RK found the evidence of non-payment of taxes on income derived from trade and business with Chinese citizens remittances to their homeland for the amount more than 3.7 million Dollars. And today, the probability of tax evasion is high enough. As a result the state budget does not get tens of billions of Tenge, which should arrive in the form of tax deductions annually.

## DISCUSSION AND CONCLUSIONS

Among the serious adverse consequences of illegal labor migration is the expansion of the informal sector, the deformation of the internal labor market, tax shortfall budget. Level of wages of Kazakhstan citizens decreases: why to pay more if there is a cheap foreign labor? In addition to all, the rights of irregular migrants, whose working conditions are deteriorating, remain unprotected.

According to the official forecast of the Ministry of Labor of Kazakhstan, the Republic demand for labor will increase by sixty thousand people every year, and by 2015, about 1.2 million foreign workers will be officially involved in the country. Significant increase in the number of external labor migrants in Kazakhstan will be determined by several factors. Among them is the desire of Kazakhstan to enter the WTO, which means, first of all, the creation of an open labor market. In this case Kazakhstan risks finding itself in a situation when the local population will face the problem of employment [6].

Finally, an important factor contributing to the growing number of foreign workers from Central Asia in Kazakhstan is Russia's desire for control over their labor market. The number of those who wish to find its niche in the Russian market is much more than the market is able to accept. Meanwhile, if the Russian government as part of the migration policy resort to close or restrict access to the Russian market for migrant workers from a number of Central Asian states, it is not difficult to guess that the workers from Kyrgyzstan, Uzbekistan and Tajikistan in large quantities exactly will flood the Kazakh market.

In general, migration in the medium term could endanger the safety of individual and group of the host population because of the increased competition in the local labor and housing markets and monopolization of migrants in some sectors of economic activity. And, considering the factor of removal and capital transfer abroad concomitant the external migration, today we can talk about the approaching threat of foreign economic and financial positions of Kazakhstan. On an example of the southern regions of Kazakhstan it becomes clear how pragmatic the government refers to the existing problem [7].

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## VALUATION ACTIVITY: REGULATION FEATURES IN BELARUS

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**Abstract:** *This work is devoted to the analysis of assessment activities in the Republic of Belarus. It examines the state regulation of the activity: legislative framework, the system of standards of valuation of objects of civil rights, the organization of attestation of appraisers in the country.*

**Keywords:** *appraisal services, facility assessment, subject assessment, evaluation standards, attestation of appraisers*

### INTRODUCTION

Valuation activities in the Republic of Belarus have intensified significantly during the period of privatization and revaluation of fixed assets: companies were allowed to engage independent expert organizations to determine the market-value of the property. It is natural, that such an important activity should be settled. "Regulation of valuation activity is a system of measures and procedures which are aimed to improve the quality of the service, which appraisers provide, and to ensure conformity of the services with certain criteria, which are set by the professional association of appraisers (self-regulation) or public authorities (government regulation) or together" [1].

### MATERIALS AND METHODS

In the current stage Belarus has chosen regulation by the government, which is characterized by the following features: validation of appraisers by State Property Committee; maintaining the state registry of appraisers; development and adoption of professional standards by government agencies [2].

With a glance at the practice of state regulation of valuation activities in other countries, it should be noted, that in countries with developed market relations and traditions, which have sufficiently stable socio-economic conditions, the role of government regulation is reduced and the main levers of control interventions are concentrated in private (social, self-regulated) professional structures. In the reformed economies, to which Belarus is reckoned among, in the situation which is close to the crisis, the controlling role of the state markedly increases. The formation of valuation activities is now currently appearing in Belarus, including the development of the legal framework, training, therefore experts think that it's necessary to have a government regulation on this stage.

In Belarus until 2006 valuation activities weren't regulated in complex: generally valuation activity was accomplished on the basis of departmental regulations. That time some special requirements weren't filed for artificial and natural persons, who were engaged in this activity. Also there was no proper control by the public authorities over the activities of appraisers. So it was rather difficult to determine the level of the biggest part of professional appraisers. It was also difficult to control the correctness of the valuation activities of the property accomplished evaluators.

Evaluators usually used the "Guidelines on the assessment of the real estate and its property rights" during the market valuation. This document was approved by Board of the Ministry of State Property Management and Privatization of the Republic of Belarus (report on 27.11.2000, No. 26) and was of a recommendatory nature.

The situation has changed in 2006 with the adoption of the Decree of The President of the Republic of Belarus, No. 615 on 13.11.2006 "On appraisal activities in the Republic of Belarus" [3] (hereinafter – Presidential Decree, No. 615), which started to regulate the

relations which are arising in the valuation processes in the country. In 2010 the Decree of The President of the Republic of Belarus No. 410 on August 6, 2010 "On Amendments and Additions to the Presidential Decree of 13 October 2006" was approved.

The Presidential Decree number 615 defined:

➤ the competence of the President of the Republic of Belarus, the Council of Ministers, the State Property Committee of the Republic of Belarus and other governments in the field of evaluation;

➤ mandatory certification of appraisers;

➤ conditions of assessment of state property;

➤ Types of evaluation, which aren't extended the application of decree, etc.

In accordance with the Decree, The President of the Republic of Belarus determines the state policy in the field of valuation activity, and the Council of Ministers implements the state policy in the field of valuation, oversees the activities of state bodies in this field and defines methods for estimating objects of civil rights for the implementation of a single type of transaction. In turn, the State Committee of Property maintains the state register of appraisers, represents the interests of the Republic of Belarus in international organizations over the valuation of objects of civil rights; adopts normative legal acts in the field of valuation of objects of civil rights in accordance with the Decree and provides interaction and coordination of national government and other state organizations subordinated to the Government of the Republic of Belarus in the field of valuation activity.

In order to complete the state's interests the Decree provides that the valuation of the state's movable and immovable property (in order to make deals with it or other legal actions) is accomplished exclusively by state organizations or organizations with the obligatory presence in their statutory fund the state's share of more than 50 percent.

The Decree No. 615 approves the "Regulations on the valuation of objects of civil rights in Belarus". This Decree forms the objects of civil rights which are to be evaluated; defined evaluation methods, assessment base, list of documents submitted to the customer for evaluation, requirements for the content of these documents, established cases of the compulsory assessment, defines the rights and responsibilities of the valuator, estimates its liability for damages incurred as a result of the valuation activity [4]. In accordance to the Decree objects of civil rights that are to be evaluated are enterprises as property complexes, buildings, isolated premises, which are not constructional completed, land, machinery, equipment, vehicles, materials and other property, also intellectual one [5].

The Decree No. 615 provides development and adoption of state standards of the Republic of Belarus on the valuation of civil rights. Not the first year State Committee of Property of the Republic of Belarus covers the issues related to the development of the standardization system in valuation. The system of valuation standards of the objects of civil rights is a complex of interrelated standards which establish regulations, rules and requirements to provide regulatory, methodological and organizational unity in determining the cost of valuation objects, and also to provide valuation services and interaction of stakeholders. This system is designed to provide [6]:

➤ uniformity and constructive interaction between appraisers, customer and user of valuation;

➤ creation of an efficient information system for the prompt submission of periodic evaluators materials relating to their professional activity;

➤ formation of rules and procedures for quality assurance evaluation services, as well as the creation of a regulatory framework for their certification;

➤ creation and maintenance of a system of classification and coding of technical and economic information used in the assessment of the evaluation;

➤ creation of conditions to comply with appraisers requirements established in the Presidential Decree No. 615;

➤ Compliance with the laws of the Republic of Belarus.

## **RESULTS**

➤ In 2011 the State Committee of Property of the Republic of Belarus developed, and the State Committee for Standardization approved the following basic state standards on the assessment of civil rights:

➤ STB 52.0.01-2011 and STB 52.0.02-2011 "Valuation of civil rights. General Provisions" and "Terms and definitions";

➤ STB 52.1.01-2011 "Valuation of civil rights. Rating enterprises as property complexes (business)";

➤ STB 52.2.01-2011 "Valuation of civil rights. Valuation of land and land plots";

➤ STB 52.3.01-2011 "Valuation of civil rights. Valuation of buildings, also ones which are not constructional completed, isolated premises as immovable property" and etc.

➤ In 2011 by the State Committee of Property of the Republic of Belarus approved a number of technical codes of established practice (TAP), which sets out the basic terms and procedures for the valuation of objects of civil rights:

➤ TAP 52.1.01-2011 "Valuation of civil rights. Corporate valuation (business)";

➤ TAP 52.2.01-2011 "Valuation of civil rights. The order of cadastral evaluation, land settlements";

➤ TAP 52.3.01-2011 "Valuation of civil rights. Valuation of permanent structures (buildings), isolated premises as immovable property";

➤ TAP 52.7.01-2011 "Valuation of civil rights. Procedure for assessing the value of property owned by the state".

The main legal act which regulates the examination of state property's valuation is The Guidelines for the evaluation of the property, owned by the State, No. 35 dated May 2, 2008. This manual provides a definition of the appraised value according to some rules. It provides cases of the compulsory valuation of the state property where the assessed value is specified using the market valuation of real estate. It is a process of choosing the biggest price between valuated price and market price for this deal to happen. The evaluation results are tested in the State Committee of Property of the Republic of Belarus or regional territorial funds for their authenticity. In order to develop and form common principles and approaches to the assessment of real estate in the Republic of Belarus it was decided to make the Expert Advisory Board for evaluation under the State Committee of Property by the regulation No. 64 dated 13.10.2009.

Currently the valuator must obtain the attestation certificate of qualification in order to implementation of evaluation activity. For this potential appraiser must be a natural person, permanently residing on the territory of the Republic of Belarus, with bachelor's degree in economics, law or technical science, and pass exams. Training of evaluators is engaged by universities and retraining by the State Educational Establishment "Training Center, training and retraining of land and cartographic and geodetic service".

The Decree No. 615 identified two republican bodies – the State Committee of Property and the State Committee of Science and Technology, which carry out the attestation certification of appraisers, depending on the object of evaluation. Thus, the State Committee of Property provides attestation for conducting assessment of enterprises as property complexes, permanent structures (buildings), and isolated premises not completed construction, land, machinery, equipment, inventory, vehicles, materials and other property. Thus, the State Committee of Property provides four types of attestations. State Committee of Science and Technology issued attestations to carry out assessments of intellectual property.

## **DISCUSSION AND CONCLUSIONS**

Thereby valuation activity in the Republic of Belarus is currently regulated by the Decree No. 615 and the Regulations thereto, also by state appraisal standards and other normative legal acts of the Republic of Belarus. It should be noted that the Government of the Republic of Belarus attaches great importance to the regulation of valuation activities. So, since 2006 on the Presidential Decree No. 615 "On appraisal activities in the Republic of

Belarus" was made eight changes and additions. In addition, standards of the valuation of objects of civil rights and technical codes of established practice are constantly improved.

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# INTELLECTUAL RESOURCES MODEL OF ELEMENTARY INTELLECT BEARER: A HUMAN BEING

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**Abstract:** *The notion intellectual resources of a human being, which is defined as the knowledge, information and creative possibilities shaped in the process of formal and non-formal learning, is specified in the present article. Intellectual abilities of the individual and their characteristics are outlined, and the main characteristics of productive and counterproductive personality structure of human being are analyzed. The role of a man in the intellectual development of a country is reviewed.*

**Keywords:** *human abilities, human potential, knowledge economy, intellectual economy, human intelligence, human development*

## INTRODUCTION

The development of a state and its regions takes place due to a human being; i.e. formation, implementation and growth of human abilities under the conditions of the transition to knowledge economy acquire priority to material and finance resources. The development of socio-demographic, educational, motivating, intellectual and informational, as well as cultural components of human communities is an incentive to formation of the human dimension. According to the research conducted by academic V. Semynozhenko: "A man is the measure of all things – this is the formula for creation of the previous century social state model. In the third millennium a human being becomes the main creative component of the effective democratic society and post-industrial economy development. It is necessary to shift to the humanitarian dimension of Ukrainian society from the development of social state. It implies not only the formation of socio-cultural, economical and informational corridors to Europe and the global world environment, but also the realization of national humanitarian paradigm" [3].

## MATERIALS AND METHODS

The following methods were applied in the research: economic, systematic, dialectical, which allowed us to identify the theoretical basis for the formation, organization and development of the personality.

## RESULTS

The level of the development of human potential is characterized by three aspects listed below (Figure 1). Human development occurs through education, science, professional training, occupational safety, medical care, and living conditions. The development for the benefit of people means that a community uses the results for improving of its living conditions.

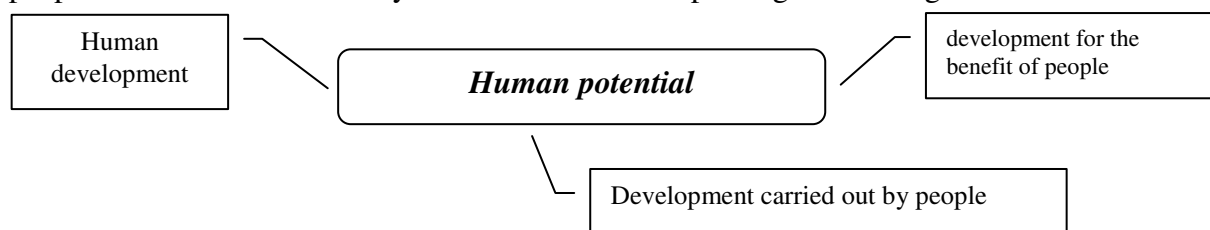


Figure 1: Human potential development aspects

*Source: developed by authors based on [4]*

*Development carried out by people* implies that people not only use the results of their development, but also are active participants in the decision making process concerning their



life. Safety, stability and guarantees of human rights shape creative and productive life and self-respect, expansion of human capabilities, which are necessary for maintaining the appropriate level of human life. Intellectual resources of a human being, unlike the material, finance, and informational ones, are characterized by the following:

- presence of human intelligence, therefore their response is emotional and sensible;
- the process of human interaction with a subject of management is bilateral;
- a human being is capable of self-perfection and development;
- Selecting their area of activity a human being consciously pursues certain goals.

The end of XX century is marked by the transition to the construction of knowledge economy, which is manifested by accumulation of knowledge in different forms, as well as effective acquisition and usage of this knowledge. Human intelligence is the main productive force of the new technological era. Intellectual resources of a human being are defined as the knowledge, information and creative possibilities shaped in the process of formal and non-formal education. People who are intellectually rich and productive have got professional training, tactical capabilities, and are able to make decisions as well as ensure their implementation.

Table 1

Intellectual abilities of a human being and their characteristics

<i><b>Personal qualities</b></i>	
Initiatively;	Stability;
Readiness to make decisions;	Good listeners;
Delegation of powers;	Independence;
Action depending on the situation;	Propensity to idealism;
Flexibility and outgoingness;	Adherence to principles;
<i><b>Professional training</b></i>	<i><b>Tactical capabilities</b></i>
Acquiring knowledge from different sources and its organization into integrated congruent (genuine) unit;	Predicting the future development and respectively planning actions
Versatility;	Coordination of their actions with all relevant parties and their securing when the consent is necessary;
Awareness;	Choice of the required actions;
Planning their activities based on consolidation;	Making efforts in proportion to the complexity of the situation;
Realization and understanding of the outer world;	
<i>Continuation of the table 2.2</i>	
<i><b>Provision of the best option in problem solving:</b></i>	<i><b>Provision of the implementation of the decisions:</b></i>
Usage of all relevant knowledge;	Acceptance of challenge and readiness to risk;
Reviewing all available information, and using only the important parts;	Identification of targets in certain situations;
Rearrangement of the problem and analysis of different perspectives;	Analysis of all possible alternatives;
Creativity and innovation;	Expectation of consequences;
Analysis of the situation taking into account not only explicit but also implicit characteristics;	Setting of the priorities;
Outlining and definition of crucial process factors; Rational thinking, minimum errors;	Choice of the alternative, taking into account all constraints;
	Confidence in decision making;
	Effective decision implementation;

Source: created by authors

The effectiveness of human capital implementation in production substantially depends on the factors of social environment. In Table 2 the main features of productive and counterproductive structure of the personality are listed, the formation of which is not fatal inevitability because of belonging to a particular national culture. This is the process that is subjected to corrections on the level of individual and social understanding, and it has a direct influence on the productivity of human capital.

Table 2

Productive and counterproductive structure of a human being

<i>Evaluation parameters</i>	<i>Productive structure</i>	<i>Counterproductive structure</i>
Religion	Provides explanation and grounding for success	Relieves or explains suffering
Wealth	The result of hard work and initiative	Provokes envy, stimulates the struggle for redistribution of this resource
Competition	Stimulates striving for perfection	The form of aggression, which may lead to destabilization of the society
Labor	The main form of self-expression	Burden and inevitable evil
Education	Fosters curiosity and creativity	Cultivates orthodoxy
Pragmatism, rationality	Structure-shaping notions of individual consciousness	The threat to stability and solidarity
Surrounding environment	Optimistic perception of the world as a stage for actions and achievements	The stage for actions of insurmountable forces, fear, hostility and pessimistic worldview
Life	Active perception of life and one's role in it	Passive perception of life as a result of complicated circumstances

*Source: developed by authors*

Formation, implementation and development of human abilities in the period of the transition to knowledge economy becomes the priority to other types of resources, therefore this is very important at the stage of incorporation of national economies into evolution process, where in the focus of international, regional and local interests there are people, their relations and communities, systems of human socialization and social infrastructure sphere (education, upbringing, medical care). The formation of new economy (knowledge and information economy) determines the priority of human resources and intellectual capital actualizes the problems of social security. O. Bilorus considers that in the correlation of global and national development, the effect of the global law of economy internal compression predetermines the increase of integration level, strengthening of internal interrelations, adaptation and resistance of national economy to strong outer influence. The modern feature of the world development is that excessive openness of national economies causes difficulties in realization of state economic and social policies, directed to the growth of welfare and safe living conditions [1].

Aggravation of global problems, increase of threats to living standards and quality, strengthening the social stratification of many walks of life on the national and international levels are the generally accepted causes for the radical return to human values in all spheres of social life [4, p. 128].

Nevertheless the transformational processes in Ukrainian society since the statehood have led to the catastrophic decrease of human development potential, intellectual fund of Ukraine. One can observe this tendency of national human potential loss in the process of market transformations through the dynamics of Human Development Index (HDI) (Figure 2).

During the last 10 years the HDIs of different countries improved in the majority of countries (from 0.639 to 0.694), and 40 countries significantly advanced in this rating. The best dynamics was shown in Libya, which has gone up 23 positions in the rating from 87<sup>th</sup> to 64<sup>th</sup> place, thus becoming the first country in Africa to be ahead of Ukraine, having overcome the crisis of 2011, and increasing its index from 0.725 to 0.769 (2<sup>nd</sup> index in history). And the worst dynamics according to the mentioned index is in Portugal i.e. 3 positions and it occupies place 43.

What concerns our country despite the relative growth of the indices in 2009-2012, the dynamics of HDI instead declined. In 2010 Ukraine was on position 69, and in 2011 it was position 76 with index 0.737, and last year the position was 78 with index 0.740. According to certain criteria of the researched index in our country: the best situation is with education and literacy – it is 0.860 (29<sup>th</sup> place in the world), the state of health and longevity is much worse 0.760 and the worst situation is with the standards of living (economic development) 0.615. When Ukraine got its independence its HDI was higher than European and Central Asian (0.714 against 0.701), and currently it is lower by 0.31 (0.740 against 0.771).

After the collapse of the USSR its republics received their own economy which should have been properly managed by state leaders, but in our country from 1990 till 2000 there were destructive economic processes, which had negative impact on the indicators of HDI. As we can see in the span of 10 years it fell (from 0.714 to 0.673); reformations, inflations, rupture of inter industry links, decrease of industrial production and unemployment in statistical figures have made themselves known.

Our country lived through the mentioned decade most painfully among the rest of post-soviet republics. Lithuania and Russia as we can see had the same starting positions (0.732 and 0.730 respectfully) but the model of state governance chosen by the Baltic states in qualitative terms was radically different from Ukrainian and Russian ones. That immediately influenced HDI, which conversely increased during the first decade to 0.756, and in the next 5 years Lithuania with index 0.802 crossed the category border of the countries with very high HDI. Georgia and Belarus are also making progress according to the report of UNDP. The latter made a significant leap from 2005 to 2012 from index 0.730 to 0.793, taking into account the fact that the 2009 crisis did not have any effect on the economy of our neighbor; and furthermore, it will take virtually 2 years for Belarus to reach very high HDI based on its dynamics.

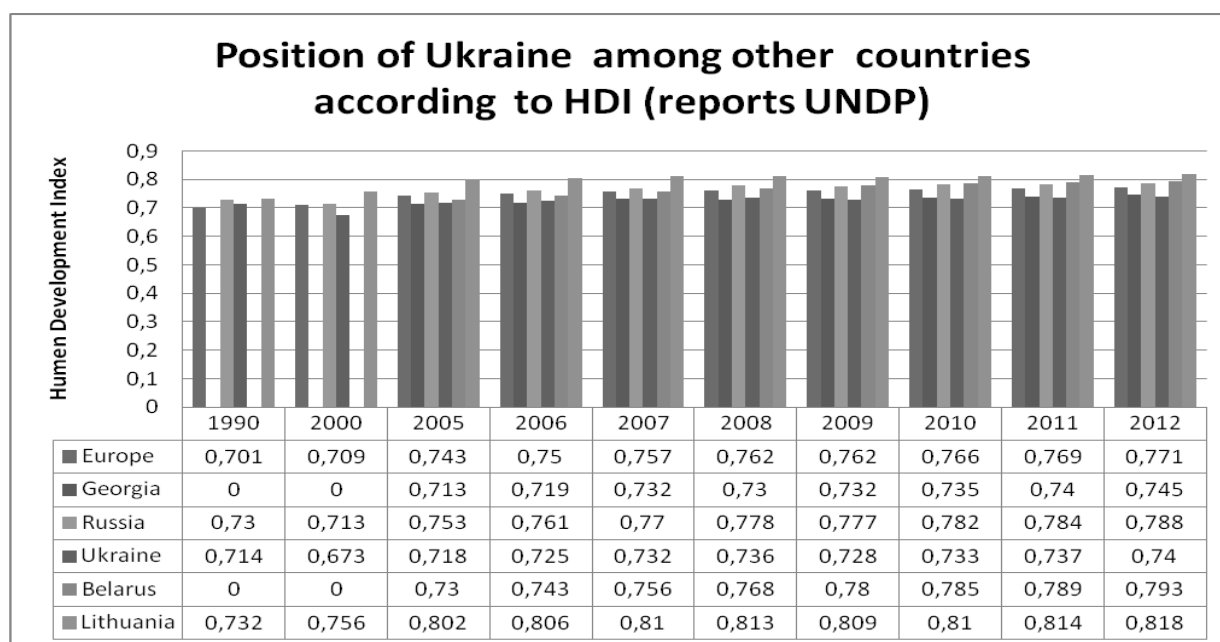


Figure 2: Human Development Index 2013 (rating of Ukraine), Source: UN report on Human Development

According to *UN Human Development Report 2013* the five leaders of the studied index are: Norway – 0.955, Australia – 0.938, the USA – 0.937, the Netherlands – 0.921, and Germany – 0.920. The worst indicators were in Niger and Democratic Republic of Congo – both countries have 0.304. Ukraine occupies 78<sup>th</sup> position, which is shared with Macedonia. We were outrun by Peru with their index 0.741, and among the European countries only Moldova as well as Bosnia and Herzegovina with indices 0.660 and 0.735 respectively are behind us. What concerns the republics of former USSR the best indices are recorded in the Baltic countries which are EU member states. For instance, the Estonian index is 0.848. Among the countries which are not members of EU the best index is in Belarus – 0.793, and the worst indices belong to Tajikistan and Kirgizia both having 0.622.

Our highest index is for the level of education and it always had a positive influence on the image of the country. While our world literacy rating is position 29, still the economic indicators determining the standard of living (in Ukraine – 0.615; to compare our neighbor Belarus - 0.723) have had negative effect on HDI generally lowering the rating of our country to the average level of Latin American countries. Taking into account our negative rating dynamics comparing to other countries based on the mentioned index (2010 – position 69, 2012 – position 78) it becomes clear that if the quality (accessibility) of education deteriorates and the current state of economy and medical care is not improved, our country being geographically positioned in Europe, will further concede to the countries situated in less developed parts of the world.

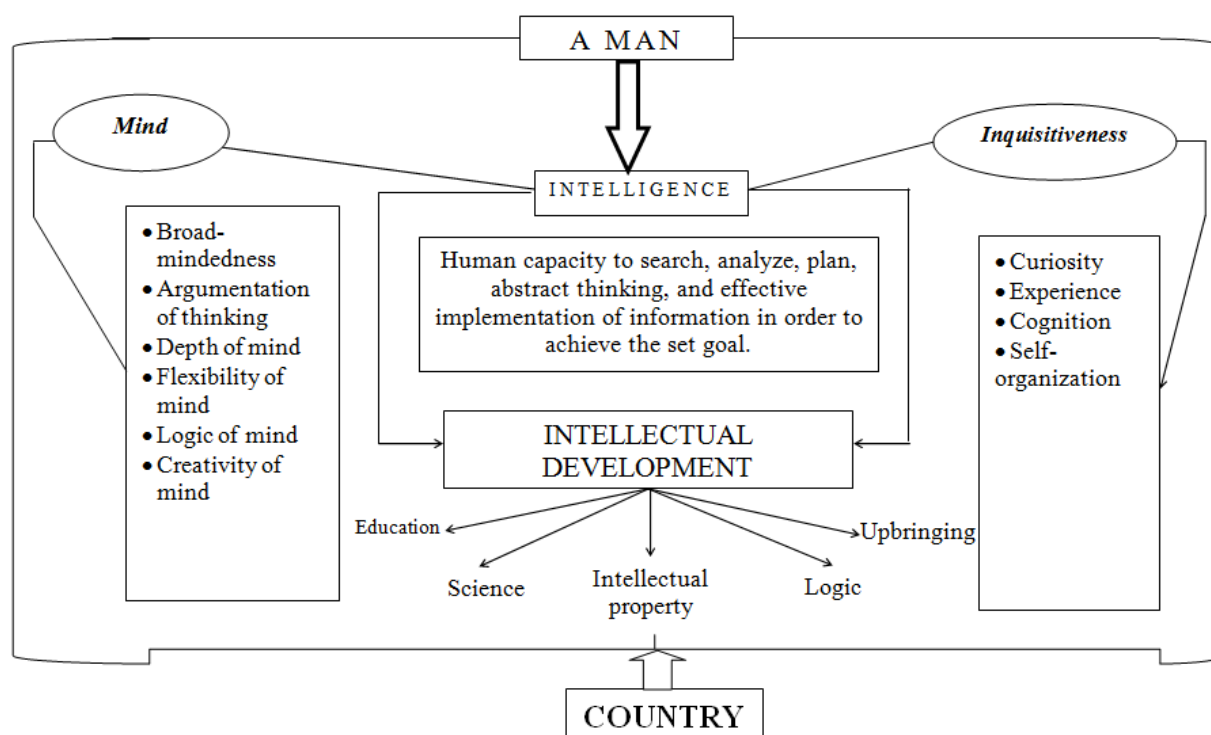


Figure 3: The role of a human being in the intellectual development of a country, Source: developed by the author

Most important and difficult task has arisen in front of Ukraine: of mobilization and development of intellectual potential as well as activation of intellectualization processes of employment on the basis of the formation of innovative priority activities [2]. In order to increase competitiveness of the national economy it is necessary to boost competitiveness of the human capital by: creating qualitative workplaces; facilitating intellectualization of human capital; funding the system-shaping forms of human capital – science, education, medical care; activating innovative human activities; increasing personal incomes; bringing up personal needs of constant self-perfection and other. The strategy for the development of economy in Ukraine is followed by intellectualization of knowledge, which strengthens the

role of human being in social and economic development and leads to increased demands to shaping of the qualitative features of human capital. In the current economic conditions of the country there is a tendency to capitalization of workforce which permeates all spheres for human life necessities. Intellectual and innovative development is possible only on condition of accumulation of intellectual potential, social responsibility and constant attention to the investments into human recourses, first of all by developing education and science, medical care in order to make human capital a decisive factor of competitiveness (Figure 3). Only the countries where the workplaces requiring high-level knowledge are created are capable to build effective and competitive economy, i.e. intellectual capital is the main resource of dynamic economy growth as well as scientific and technical progress of the state. Accumulation of intellectual potential of Ukraine is not possible without active involvement of the country.

### **DISCUSSION AND CONCLUSION**

In order to overcome the situation improving and developing it, it is necessary to develop the national program for support and development of the country's intellectual potential and to prioritize the funding of science as well as set an adequate price for intellectual labor. Accelerated development of intellectual potential of the society envisages: the implementation of state policy on labor market in order to maintain employment and increase work force mobility, to create new workplaces in knowledge-intensive industries of national economy and to improve the system of professional education, training and certification as well as professional development, to improve the system of youth professional orientation and enhance its competitiveness on labor market, and to develop distance education.

Therefore, the best achievement of each society is its intelligence which drives the humanity forward. In modern world the intellectual activity acquires much more meaning in different spheres of human activities. To maintain and further develop the scientific potential of Ukraine it is necessary to radically improve funding as well as material and technical supply of scientific institutions. This will boost the effectiveness of general intellectual potential of Ukraine.

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# SEVERAL LOGISTICS CHAIN TRANSPORTATION SERVICES APPROACH BY SINGLE TRANSPORT COMPANY

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**Abstract:** Ability to serve multiple customers by one vehicle type raises the issue about such servicing effectiveness. Transportation service logistics chains suitable to own the same service type and wage raises the vehicle distribution between material flows. The ability to transportation service logistics chains while daily planning makes improves indices vehicles use at the expense of distribution between different material flows. Vehicles collective calculation takes place in several steps: defining the market segment and the clients number for served in the long term; second the vehicles estimation number during the quarter or month, third daily planning vehicles estimation number. For a more detailed analysis it is necessary to examine the specific definition model vehicles.

**Keywords:** Logistics, chains, vehicle, transportation, service

## INTRODUCTION

Nowadays, transportation services are characterized by: increasing goods range and delivery conditions, irregular transportation due and volumes, which depends from market demand. The cargo motor transport company in these conditions has such actual problems as vehicles calculation. To decrease operating expenses and enterprise activity efficiency growth, transport companies have to increase their competitiveness on a global market. Therefore, one of the primary goals for the transport company is to use transferrable abilities rationally.

## MATERIALS AND METHODS

According to these authors (Roslavtcev 2010, Dibskaya 2008), the transportation service should ensure upon vehicles movement purpose of all participants. Consistent and logical transport process, linking the different interests such as: transporters, industries (factories), consignees, freight forwarder companies, retail suppliers and other market participants (Figure 1).

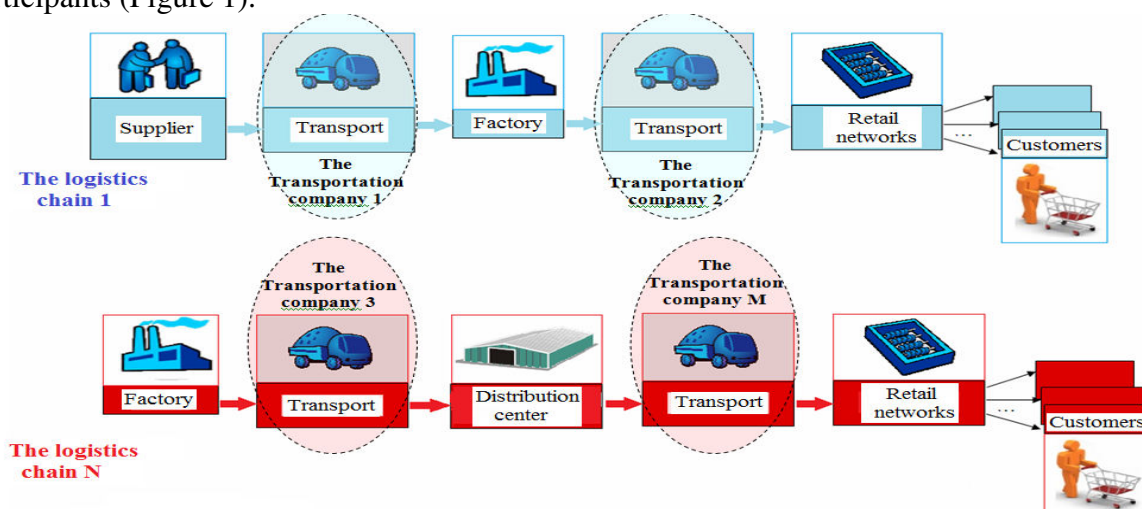


Figure 1: Logistic system participants and their known links

Modern approaches to transportation service are based on application of the following approaches: process, system, situational, likelihood-adaptive, quantitative, marketing, and

logistical which consider for single material flow decision (Shapiro 2006, Chuharay 2007, Nozdrina, Jashhuk, Polotaj 2011). Existing methods consider vehicles calculation number for transportation services specific customer or material flow. In this case, the vehicles cannot be used effectively, consist of individual material flows and supplies seasonality (Vorkut, 2002). That may lead to losses in certain time periods when transportation services each customer. Different logistics chains may use different vehicle types. But also, while transportation serving several different logistic chains at different transports sections, they can use one vehicles type. In this way, different material flows can be carried by a single vehicle type and Transport Company (Figure 2). The ability to serve multiple customers by one vehicle type raises the issue about such servicing effectiveness. Based on the foregoing, we can conclude, that the existing approaches don't estimate transportation service specification methods for several logistics chains.

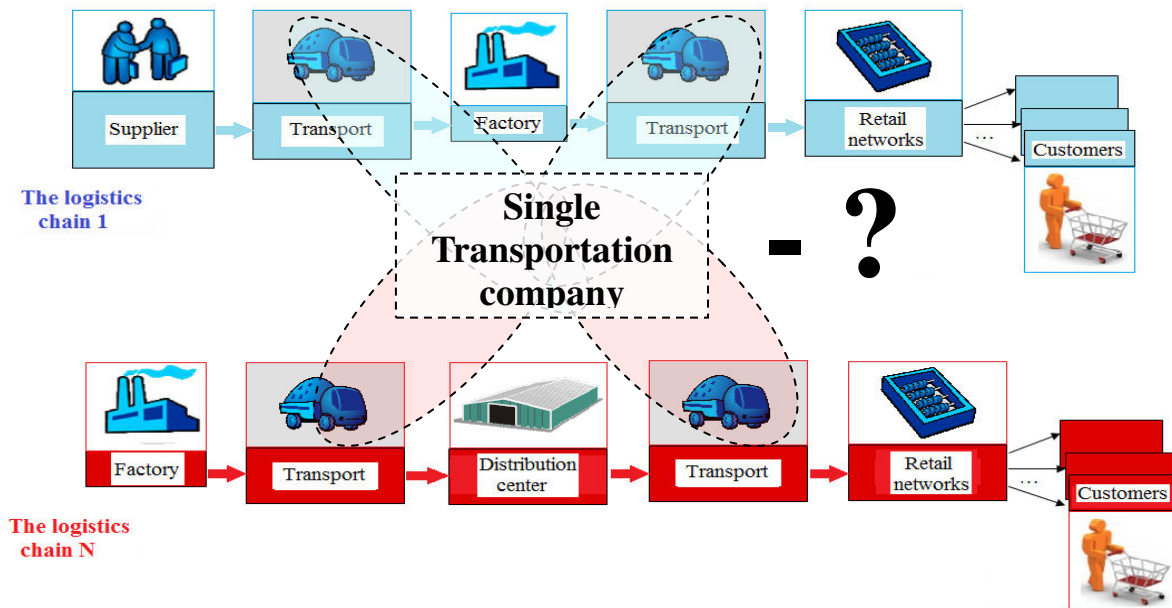


Figure 2: Logistic system participants and their proposed links

Review analysis allowed to established following *hypothesis*: "There is rational vehicles number which can be used effective to transporting several material flows with full conditions deliveries by a single Transport Company".

## RESULTS

Scheme selection segment for transportation services clients and their material flows is shown in Figure 3.

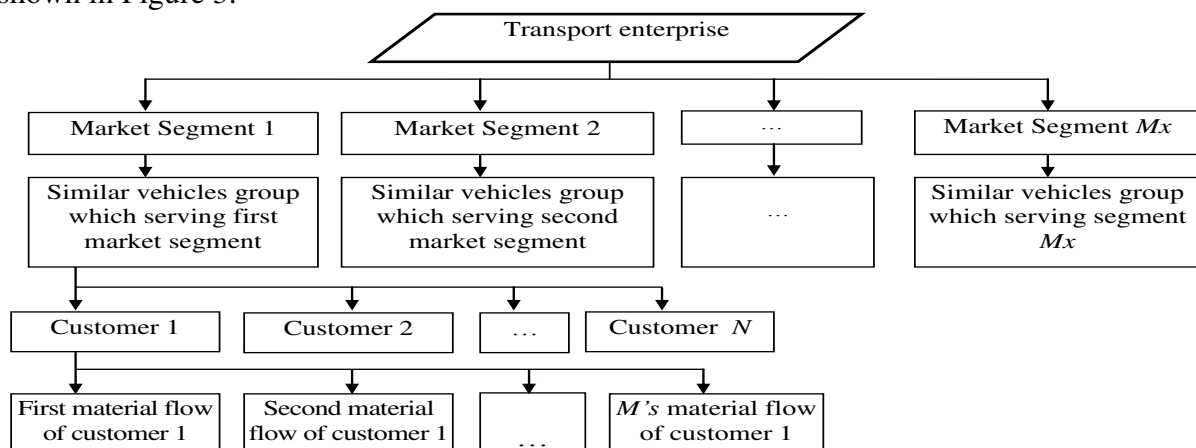


Figure 3: Market segment choice for transport enterprise

The market segment choice contracted to transport any cargo, and provides for the purchase of vehicle contractual obligations fulfillment. Fitness for carriage by the same type vehicle or body adaptation to transport various cargoes enables to serve other customers within selected segment limits.

According to Figure 3 we can make conclusion in the form of shame transport enterprise that consist of: different market segments, similar vehicle group which serve this segment, transport services buyers and their material flows. The general algorithm for evaluating effectiveness for collective transportation service is shown at Figure 4.

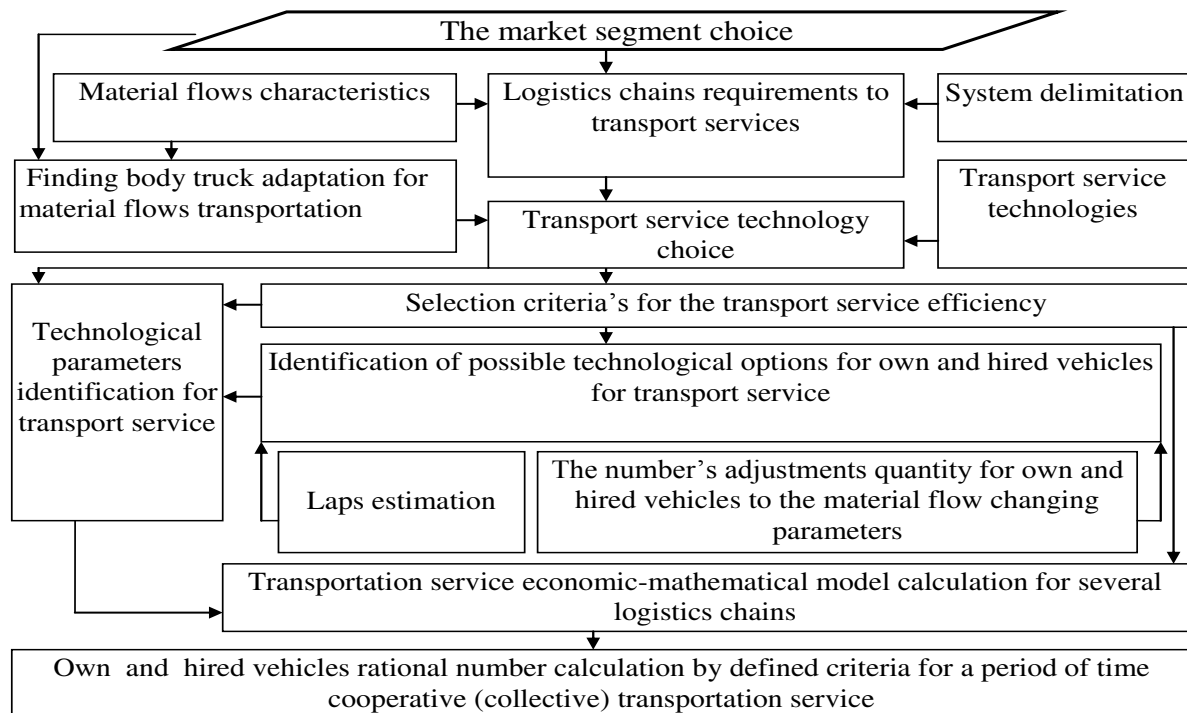


Figure 4: Algorithm for the vehicles' rational number on a particular criterion (Medium-term planning)

First level is to select marketing segment. Transport service general analysis can establish its boundaries, shipper and consignee requirements to maintenance.

The second stage is selected technology maintenance, existing technologies maintenance are evaluated and established technological possibility for same type vehicle. Next stage is to determine the process parameters it is necessary to choose an efficiency criterion. To identify possible technological options for all vehicles, the estimation laps number for each own and borrowed vehicles should be analyzed.

The possibility to transportation several material flows with their parameters by own and hired vehicles represent alternative sets for collective transport services. The next step is adjusting the vehicle considering changing amount including parameters changing in times. Based on the technological parameters and selected criteria effectiveness the economic should estimate. From these results own and hired vehicle rational numbers have to be chosen for cooperative (collective) transportation service.

Ability to transportation service logistics chains while daily planning makes improves indices vehicles use at the expense of distribution between different material flows. The technological scheme of transport services Customers separately or collective represents at Figure 5.

The choice problem is that the different vehicles can carry same cargo with different efficiency. The transporter while making decision should take into account investments: inflation risks, the discounts, the cost of credit, and so on. The transportation service performance criteria can be selected from commercial investment criteria in the "long run"



project.

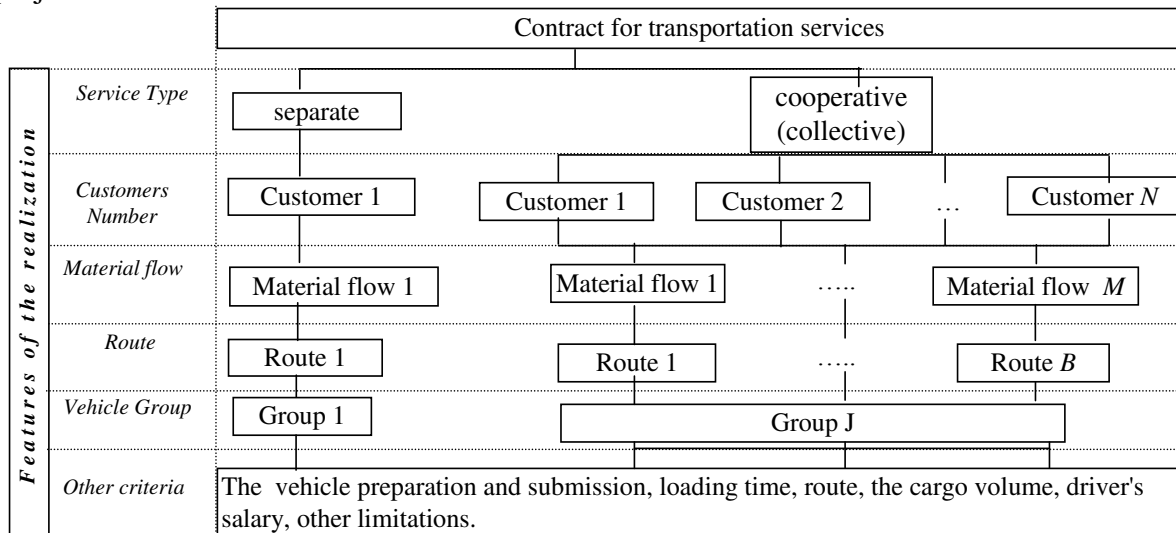


Figure 5: The technological scheme of transport services separately or collective (daily planning)

As a result, using the project analysis methodology can be simulating different alternative projects with different performances and different efficiency. The vehicle efficiency formation can be a Net Present Value for all possible variants fleet during the project lifetime.

## DISCUSSION AND CONCLUSIONS

Transportation enterprises in their activities should be guided by transportations demand forecasts including their transferrable abilities. Transport companies have to increase competitiveness and use transferrable abilities rationally. Suggested approach allows calculating necessary vehicles number for several logistic chains collective transportation service. Vehicles collective calculation takes place in several steps: defining the market segment and the clients number for served in the long term; second the vehicles estimation number during the quarter or month, third daily planning vehicles' estimation number. For a more detailed analysis is necessary to examine the specific definition model vehicles.

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## JUSTIFICATION OF THE EFFECTIVE METHODS FOR STAFF ASSESSMENT OF MODERN ENTERPRISES

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**Abstract:** *The importance and significance of the staff assessment process in organizations are considered in this article. Also traditional and innovative methods of staff assessment are analyzed. The object of our research is the staff estimating methods in modern organizations. The purpose of our article is the creation of logical and structural scheme to choose the effective methods of staff assessment for entities of different organizational forms and branches. Proposed scheme is based on modern theoretical, methodological and practical achievements of HR-management. During our scientific research common scientific and practical methods were used such as systemic analysis, methods of analysis and synthesis of economical data, content-analysis, logical and structural analysis, combinatory methods that formed the basis for an objective and comprehensive review of posted problem. The paper summarizes the successful experience of foreign companies in building an effective staff estimating systems of entities. Effective and representative examples and approaches to the staff assessment of well-known foreign companies such as General Electric, Control Data and well-known domestic banking operator "PrivatBank" are described here. In order to solve the existing problems in the selection of adequate methods to assess staff in domestic enterprises, we have developed recommendatory logical and structural scheme to choose method for assessing staff for various business entities depending on their organizational and legal forms of ownership and industry sector. We proved, that the choice of specific methods to assess staff is depending on enterprise' activity, as well as its strategic goals. The combination of different methods to assess staff is effective in practice.*

**Keywords:** *staff assessment, staff development, staff estimation, entities, organizational and legal form of activity, industry branch, logical and structural scheme*

### INTRODUCTION

The human element is crucial in ensuring the successful activity of any business entity. Therefore, the use of adequate methods of staff assessment during hiring, adaptation, daily work and even dismissal make it possible to determine true economic interest in a productive and high-quality work at the company and to develop effective mechanisms to encourage this work. Today the domestic enterprises adapted to the foreign methodologies of staff evaluation quite successfully, but they didn't work out on a standard approach to the selection of these techniques, depending on their form of business organization and industrial branch that actualizes our research.

### MATERIALS AND METHODS

Problems of methodological justification of the staff evaluation process were engaged by famous foreign researches such as Paul Iles, Gerald Randall, Crist Rust, Gary Dessler and Douglas Bray. Mostly in their papers the theory of staff evaluation is considered. Domestic scientists are also paid attention to the mentioned problems. There are O. Gavrilova, A. Hubenko, V. Danyuk, A. Kibanov, J. Odyehov, V. Petyuh, O. Sytnik and others among these scientists, researchers and practitioners. Their works are mostly based on international experience. But still the problem to is unresolved to select the adequate methods of staff assessment in organization, depending on the specific legal organizational form and branch orientation. Still methodological recommendations for the selection and use of certain staff assessment methodology are non-systematized. General theoretical scientific methods were used in our research, such as comparative analysis, surveillance, generalization and systematization.

## AIM AND TASKS

The purpose of our article is to construct a logical and structural scheme to select specific methods for staff assessment in entities of certain legal organizational forms and sector area. To achieve this goal, following tasks were decided:

- 1) Theoretical base of staff evaluation was researched; international experience was studied and the possibility of its use by national entities was learnt;
- 2) Analysis of traditional and innovative approaches to the staff evaluation and the possibilities to use them where discovered; main problems in the staff evaluation were classified;
- 3) Logical and structural scheme to select the specific methods for staff estimation depending on their legal organizational form and sector area was developed.

The subject of our research is variety of the staff evaluation methods. The object of our research is HR-system.

## RESULTS

The staff assessment is now an integral subsystem of HR Management, which includes the hiring, adaptation, motivation, training and development, work with personnel reserve and organizational change management.

In particular, Gary Dessler noted [1] that the staff assessment is to match business and personal requirements of workers to the workplace. O. Gavrilova considers the staff assessment as a part of the management and subsystem of staff adaptation which are used in the organization in some modifications [2]. In our opinion, the staff assessment is not a staff certification. It is wide concept; its essence is illustrated in Figure 1.

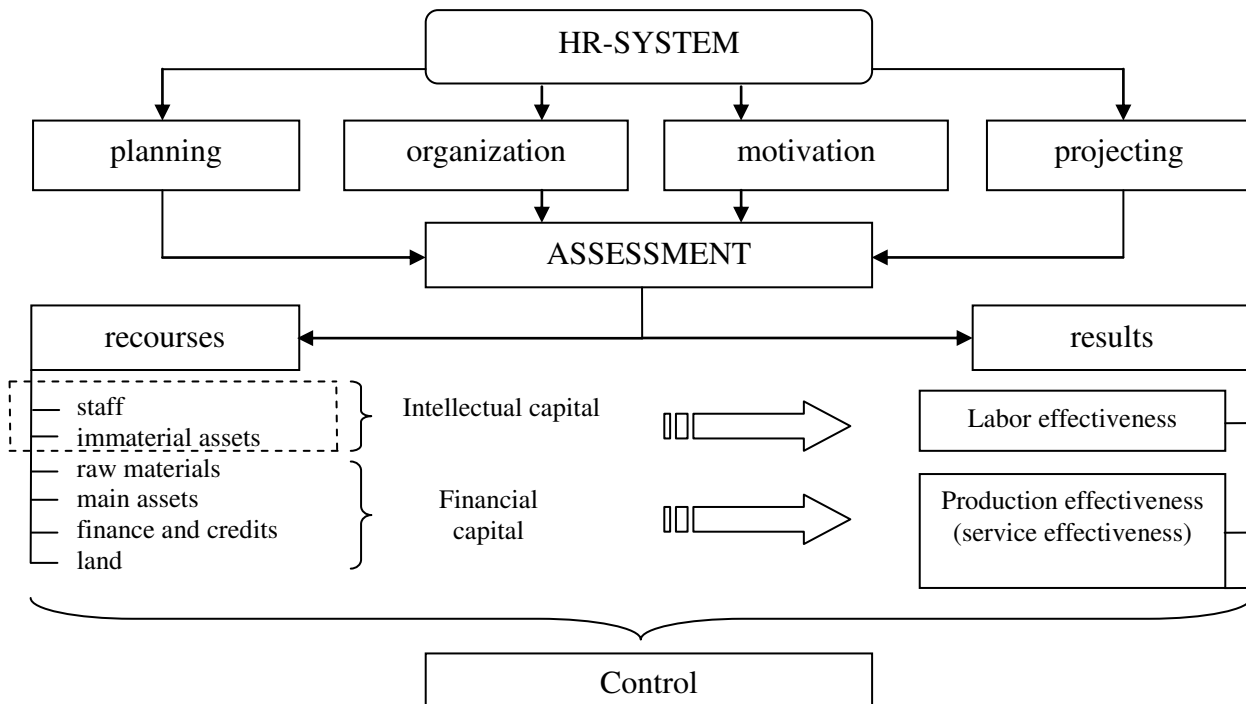


Figure 1: Directions of staff assessment (Source: created by authors)

As S. Nemykina noted, staff assessment could be realized under the principles: impartiality, transparency, operatively, democracy, justification, commitment, universality and effectiveness [4]. In our opinion, it should be added with determination of evaluating criteria (requirements worker's compliance) that each organization sets according to the purpose of evaluation. For example, O. Borisova proposes criteria for evaluating staff, such as [5]: quality and volume of performed work, discipline, loyalty, commitment to communicational cooperation. In our opinion, the abovementioned criteria are quite common.

Each organization has own set of evaluation criteria based on the features of activity, industrial area, legal form, staff structure etc. But at the same time, we should avoid common mistakes in identifying evaluation criteria, including the overloading of evaluating criteria or lack of necessary indicators. In our opinion, methods of staff assessment should be understandable, should include 5 or 6 quantitative indicators and should combine certain tasks. Their systematization gives an opportunity to group the existing methods of staff assessment.

In particular, A. Hubenko offers classification [6]: assessment based on the results; method of the crucial situation; method based on the estimating scale; assessment of working norms; evaluation by the committees; method of independent courts; 360 degrees method and case-method.

To complete this list we offer to add "methods of centers" (they include Assessment-center and Development-center); evaluation by objectives; management of achievements and staff certification. Based on the scientific, methodological and practical researches of O. Gavrilova [7], S. Karamzin [8], L. Katanova [9], V. Korniyushin [10], L. Kuz'menko [11], V. Danyuk and V. Petyuh [12], V. Soroka [13], A. Shnitkova [14] and V. Yarnykh [15], we propose logical and structural scheme to choose the staff evaluation method by different business entities in any given situation (Figure 2).

In the developed by us scheme the staff assessment methods (they are numbered) and their implementation are represented. Depending on its legal form and industrial sector each entity can define the acceptable method for evaluating staff. Considering the foreign experience of staff evaluation, it should be noted that, for example, in Japan it is based on the peculiarities of Japanese philosophy with the need to determine merit worker, skills, character and ability to do certain work.

As researches of General Electric' specialists show, in USA the criticism as a means of informing subordinates about their drawbacks in the work is the destimulative factor. Instead, two-way constructive debate on specific issues to improve work is an effective stimulator. For example, an important element of assessment in the company Control Data is the self-esteem, which enables employees to identify their strengths and weaknesses with a view to further discussion and adjustments.

Also it is noteworthy the test for staff evaluating – Business Personality Test (BPT), which contains 100 questions. It is widespread in Western Europe. The test results are evaluated on a flexible scale (0 to 10), which makes possible to obtain for each question a posed details. This scheme exceeds the efficiency of traditional methods of assessment in terms "yes/no" or when selecting pre-embedded answers. In Ukrainian commercial bank "PrivatBank" assessment-test of employees Midot is used. Midot is used to evaluate existing employees and those who are taken on job. Midot is also used to identify the "risk zone", i.e. employees, who could harm the company in certain conditions.

## **DISCUSSION AND CONCLUSIONS**

Each business entity that aims to raise its competitiveness, first of all, has to pay attention the staff assessment at all stages since the hiring until the retirement. The staff is a major element of its intellectual capital that determines competitive advantages on the market. It should be noted that domestic enterprises have successfully used the foreign experience on staff evaluation. But because of numerous mistakes of domestic enterprises to choose the correct method, we have developed a recommendatory logical and structural scheme regarding the advisability choice of a method for staff assessment depending on the legal form and industry sector of business entity. All major (traditional and innovative) methods to assess staff of modern enterprises are shown in the scheme (Figure 2).

Our analysis shows, there are no better or worse methods to assess staff. Method is chosen according to the specific objectives of the enterprise and its staff requirements. Thus, the development of new staff assessment methods and improvement of existing methods is the main task of any enterprise, which is interested in high performance and sustainable development in a competitive environment.

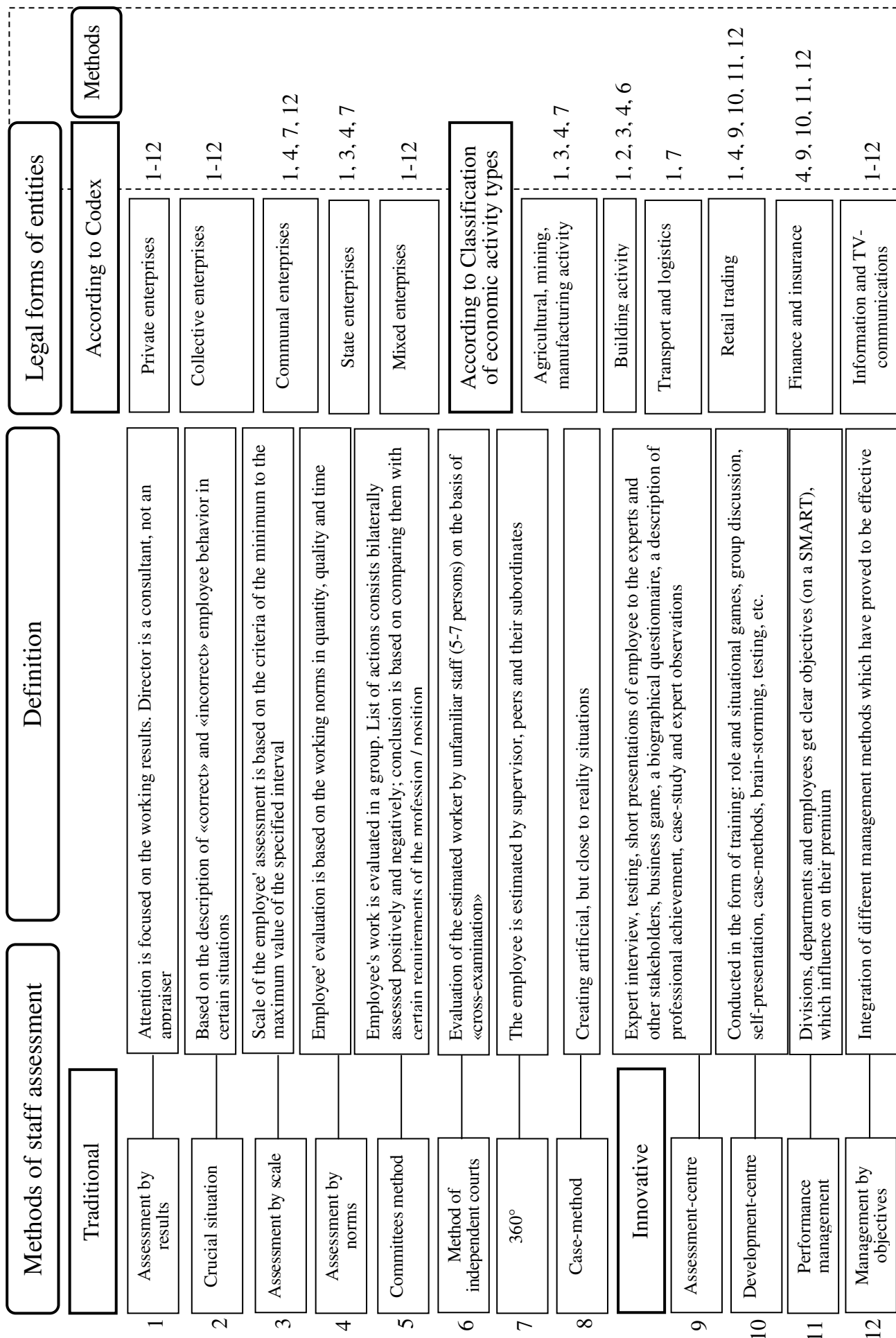


Figure 2: Logical and structural scheme to chose method of staff assessment

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# THE LABOR BEHAVIOR TRANSFORMATION UNDER THE KNOWLEDGE-BASED ECONOMY DEVELOPMENT

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**Abstract:** *The influence of the individual labor behavior on the efficiency of work is explored. The specificity of the individual and group labor behavior is analyzed. The specific features of the labor behavior under the intellectual economy development are outlined. Conclusions are drawn about the perfect balance of the enterprises effective functioning, considering the personnel labor behavior.*

**Keywords:** *employment behavior, employment, intellectualization of labor, an individual, creativity, altruism, commercialism*

## INTRODUCTION

Nowadays, the radical transformations which affect all areas of Ukrainian society are occurred. The socio-economic changes are accompanied by social, cultural and economic problems. But along with this, the ownerships modern forms become constant, new opportunities for socio-economic activity and employment rights arises, employment behavior changes and new social strata and groups are formed. Thereby, there is the necessity to study the problem of the individual labor behavior modification, its labor activity of the social grounds of the new values, attitudes and motives formation, which will be suitable for the life support under new conditions.

## MATERIALS AND METHODS

The issue of the individual labor activity, business development and work behavior of human's economic activity were investigated by authors such as L. Blyahman, A. Vyshnevskyy, F. Henov, E. Golovakha, N. Naumova, A. Omarov, V. Pylypenko, A. Ruchka and others. The problems of the social management of individuals and social groups, its influence on the modern human's activity and labor behavior were investigated by famous authors such as V. Bohdanov, A. Hladyshev, K. Hryshenko, M. Dmytriyeva, V. Ivanov, V. Patrushev, E. Suyimenko, S. Shatalin, V. Shepel, H. Schokin, E. Yasyn and others.

Therewith, the next problems still remains relevant: to increase the human's labor activity, to create more efficient ménage mechanisms, which will provide the maximum realization of the individual and labor interests, formation of the new approaches to socio-production process and entrepreneurship. That's why it is necessary to research more for better understanding the new types of work behavior of individuals, as a form and type of activity, individual business, different social groups, organizations, new mechanisms of social behavior management.

## RESULTS

The radical Ukrainian reforms caused the appearance of new human types, new types of their labor behavior – market types, which are focused on the self-sufficiency and self-reliance. In addition, mentioned above reforms caused also high labor activity, implementation of new forms of the labor organization and stimulation along awareness their role in economic and social relations. Mainly, behavior is studied within Social Psychology and is explained as an external activity demonstration, as an action's system of biological individual, which is directed for their own existence maintenance and is manifested in the certain sequence of actions. In terms of Ethics, behavior is a set of actions for a certain period of time. The comparative length, certain sequence and permanence of behavior, including its consistency indicates the individual behavior line. The Praxeology as a general theory of

human activity treats the consciously directed behavior for the some aims achievement as an activity. According to the modern sociologists, behavior is a human activity form, its external aspect, and can be divided into social, socio-economic, labor behavior etc.

An individual display of labor activity can be treats as the labor behavior, which is defined as a set of actions, which provides the synchronization of human's interests and professional skills with the system of organizational and economic, industrial and technological conditions [2, p. 466].

Work behavior is a set of individual and group actions, which defines the orientation and implementation of human factors in the workplace and is a kind of social behavior, i.e. of the purposeful activity process, which corresponds to the most important interests and needs of human and social group.

The necessity for the term "labor behavior" selection is explained by the following: human or group, who is included in the labor activity system, is not the rigid element of the functional system. Except this, there is the distance between the labor functions, which are parallel to workplace, and individual abilities and intents. Human are not just the "performers" of certain production function. They performs it differently, have differences in abilities, opportunities and intentions. That is why the difference between "functional algorithm" of certain labor activity and features of human behavior characterizes the specificity of its labor behavior.

According to a sociological approach, labor behavior is a certain social institution. Every socio-economic system meets certain type of labor behavior. That's why the term "labor behavior" partly coincides with the term labor morality, as the system of moral requirements, rules, values, which are followed by people of certain society in the progress of a work. Considering the term of "labor behavior" it is necessary to distinguish the specificity of individual and group labor behavior. An individual labor behavior depends on significant complex of social and psychological factors, such as needs, interests, guidelines, motives, incentives and others. It consciously regulates the set of employee actions and deeds, related to the synchronization his professional opportunities and interests with the functional algorithm of production process [3, p. 307].

It should be emphasized that individual "labor behavior" is a set of social and functional actions and deeds, which is determined by the professional and qualification requirements, duties and forms of socio-productive activity. It is a kind and a form of subjective activity, a complex expression of the human integrated features, his/her intellectual, physical, moral, mental and spiritual characteristics.

Work behavior in the period of the intellectual economy development is the conscious activity, which is directed to the knowledge gaining for the further its sale sometime in future.

In the production and labor spheres, behavior is the subjective side of human labor activity and is determined as the observed active display of attitude to its labor, conditions, content and result. However, based on the fact that the individual labor behavior is the creation of the socio-required product, that represents the economic side of its subjective activity for the providing of the conditions of human life and needs satisfaction, it is necessary to note that the labor activity includes both economic and social characteristics.

Entrepreneurial behavior, as a form of socio-labor behavior, is the activity, where every individual has an opportunity to realize personal labor and creative potentials make unconventional decisions for the high socio-economic, moral and psychological results achievement.

While detailing some kinds of behavior, should be noted that a set of its components, appropriative characteristics of public relations reveals the content and form of social life. It is logically to recognize that a set of components or elements of individual labor behavior, its labor activity, social and labor relations forms an individual labor life as a kind of social labor livelihoods. So, there is certain regularity, according to which, individual requirements, incentives, motives and social needs and interests cause its certain type of behavior. As a



system of behavioral set of deeds and actions, it determines the certain activity kind and a character of social relations, all of which forms the certain content, form and kind of social life. It is logical that in modern terms of society development, this quite regular connection is reversible: certain content, form and type of social activity determine the appropriate activity and social relations, which in turn generates the individual behavior.

There are the next specific features of the labor behavior in the terms of intellectual economy development [1, p. 28]:

1. *The altruistic type of work behavior* is the constant knowledge accumulation not for sale, but for free transfer to everybody. Nowadays, it's quite rare phenomenon, but it is the pledge of progress and authority. This type of labor behavior is the valuable source for efficient activity of every entrepreneur.

2. *The mercantile type* is the knowledge acquiring and accumulation is carried for the maximum benefit from its sale in future. It operates on the principle "me – for you, you – for me", and the material and financial interests are predominant. According to this type, the state wealth is the quantity of its money. Nowadays, in the terms of intellectual economy development, the mercantilism loses its positions, because the acquired knowledge is the basement for the wealth accumulation, both material and moral.

3. *The creative type* is the knowledge acquiring is the necessary condition for the new knowledge creation, and the creation process is the individual self-fulfillment need. The human creative participation in the society renewal process is the essential component of its successful existence. The creativity helps to the occurrence of new ideas, plans, guidelines and target orientations, aimed to the self-realization and self-identity.

## DISCUSSION AND CONCLUSIONS

For the Ukrainian economic system, the ideal balance of every enterprise effective functioning depends on all types of labor behavior combination, because an individual existence of each of them caused some questions, problems and conclusions.

So, nowadays the society development largely depends on human potential usage, its creativity, initiative and entrepreneurial talent. The human activity increasing in all spheres of social life is particularly relevant in the period of the intellectual economy development. The determining role in this process belongs to the individual labor behavior, which transformed in new types and requires the new approaches to its formation.

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# INTELLECTUALLY COMPETITIVE GAMES AS AN INNOVATIVE TOOL FOR THE CREATIVE POTENTIAL' ACTIVATION<sup>1</sup>

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**Abstract:** *It is proved that innovative ideas (especially radical) are not always rejected by society and the scientific community. The necessity of an intellectual competitive game (scientific and technical trial of the idea) as a mechanism for generating and evaluating new ideas is justified. Developed by authors the mechanism for the specified game is described in our article.*

**Keywords:** *creative mechanism, results of intellectual activities, ideas, intellectually competitive game*

## INTRODUCTION

Activation of creative potential in post-industrial development' terms is one of the most important task of any organizational structure. It is well-known the intellectual and informational resources are a major factor in ensuring competitiveness at the post-industrial stage. At the same time, the creative potential is the factor which provides the realization of intellectual and informational resources. Therefore there is an urgent need to develop mechanisms for activating creative potential – one of the most important elements of competitiveness and economic security of any organization in a strategic perspective. This paper focuses on the describing one of such mechanism, i.e. intellectually competitive game "Scientific and technical trial of the idea".

## MATERIALS AND METHODS

During our experiment we used methods of systemic analysis and systemic synthesis.

## RESULTS

The most important result of creative activity is a new idea. But bold ideas that were marked by a radical novelty, not always were easy taken by society. It is a well-known fact that such a great innovation of the twentieth century as penicillin has not received worldwide academic recognition many decades since discovering. Another well-known fact is when first self-propelled carriage was created (first car) police has banned to use it. Reason was it frightened the horses. Innovations such as Ilizarov's techniques and Belousov-Zhabotinsky reaction (so-called "chemical clock") have not been recognized by the scientific elite for a long time [1, p. 19, 41; 2, p.34-35]. The history of science and innovative development has examples, when the importance of discovery should be proved by means litigation. Thus, in 1785 Lavoisier made a trial of the phlogiston theory. In 1879 the benefits of electric lighting has been proved in the trial. In the former Soviet Union in 1930s "All-Union scientific-technical trial of precast concrete" took place which opened opportunities for the use these building materials in mass construction. Nowadays, the idea of scientific-technological and innovative jurisprudence is the main topic for discovering in scientific papers of G. Kalytych, V. Jalaly and G. Androshchuk [1, pp. 46-49]. Modern litigation is the most important social and legal innovation in the history of civilization, standing alongside the greatest

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<sup>1</sup> The authors inform that the priority and copyright for this research and this scientific work internationally validated by the Certificate of the State Department of Intellectual Property of Ministry of Education and Science in Ukraine, 08/31/2010, No. 34742.

achievements of humanity, such as writing, printing, internal combustion engine, separation of power and so on. Scientific and technical trials used principles of modern justice to establish perspectives (or non-perspectives) of a certain scientific field (innovation). Modern principles of justice can be effectively used for the evaluation of the results of intellectual activity, including new ideas.

The authors developed and tested creative mechanisms generating and evaluating new ideas, i.e. intellectually competitive game "Scientific and technical trial of the idea", which is based on the use of guidelines, similar to the modern principles of justice. It should be reminded that the basic principles of court records include: the principle of adversarial process (prosecution and defense) and the principle of evidence (any statement prosecution or defense must be proved). The result of intellectually competitive game "Scientific and technical trial of the idea" is a new creative idea, which can be widely used in all areas of human activity in order to stimulate the generation of new ideas that will be used later in practice. The same technology, which is similar to the technology of the trial, has been used in the conducting of scientific and technical trial and intellectually competitive game "Scientific and technical trial of the idea". However, the result of the scientific and technical trial is directive or indicative decision, and the result of intellectually competitive game "Scientific and technical trial of the idea" is new creative ideas. The authors of the book "Sustainable Development: Theory, Methodology and Practice" offer to conduct business game "Trial of informational technologies", but this game is aimed at a fact-statement rather than the generation of new ideas. Thus, this game has a predetermined outcome [3, p. 688]. The mechanism proposed by the authors intellectually competitive game "Scientific and technical trial of the idea" includes a series of transactions that are part of this mechanism, and in some way they are related to other operations.

Operation 1: In intellectually competitive game "Scientific and technical trial of the idea" in varying organizational structure organizer is intended, which performs all game arrangements and controls it. Depending on the structural scale, where the game is, a separate structural unit, group of employees or an individual employee can be an organizer.

Operation 2: Group is recruited from the staff of the structure that will participate in the intellectually competitive game "Scientific and technical trial of the idea", i.e. the group of intellectual players is determined.

Operation 3: Intellectually competitive game "Scientific and technical trial of the idea" is organized in a certain organizational structure to enhance the creative potential of its employees. A scientific problem, idea, concept or mechanism, i.e. a certain object of game is proposed for a discussion in the group of intellectual gamers. All gamers-participants in the intellectually competitive game are divided into two parts: "prosecutors" and "defenders" of game object. A competition for the best ideas for "protection" and "charge" of game object is held between them. Moreover, in some cases, the same intellectual gamer can express evidence for defense as well as for charge. Organizer of intellectually competitive game "Scientific and technical trial of the idea" observes the procedure of competition, who is coordinator and moderator of the process (i.e. a "judge") in this case.

Operation 4: Audio recording of intellectual game is made. It gives an opportunity to establish the authorship of interesting ideas. Video recording of game is made as well. All generated ideas during the intellectually competitive game "Scientific and technical trial of the idea" are registered by organizer. It should be noted that new ideas are estimated during the intellectually competitive game "Scientific and technical trial of the idea" as well as opportunities for the generation of innovative ideas are created directly into the game. I.e. intellectually competitive game "Scientific and technical trial of the idea" is performed actually.

Operation 5: The interviewing of participants of the intellectually competitive game "Scientific and technical trial of the idea" is made by the results of the game to reveal their attitudes and opinions. Also intellectual preferences of intellectual gamers and their suggestions for future topics of intellectual assault while playing are studied in the interview.

Operation 6: If during the intellectually competitive game "Scientific and technical trial of the idea" proposed idea has scientific novelty, we advice to secure priority and authorship legally. This problem can be solved in many ways, but, in our opinion, the easiest and cheapest variant is to witness the idea by creating a special document. I.e. organizer, who conducted intellectually competitive game "Scientific and technical trial of the idea" and gamers who forwarded new ideas create a statement which justifies radically new scientific ideas. This document should include: 1) information about the time and place of the intellectually competitive game "Scientific and technical trial of the idea"; 2) information on persons constituting statement; 3) information about the authors of ideas; 4) brief description of the essence of each forwarded idea. Organizer of the intellectually competitive game "Scientific and technical trial of the idea" and gamers, who forwarded new ideas, sign a statement. Notary certifies their signatures by specifying the exact date and time when signatures are certified. In case of a dispute concerning to the time of idea-production or its authorship (authorial rights) this statement may be important evidence in real court.

Operation 7: Top ideas that were generated during the intellectually competitive game "Scientific and technical trial of the idea" but which are not patentable could be formalized in the form of articles.

Operation 8: Specialized techniques and programs for the intellectually competitive game "Scientific and technical trial of the idea" are created; copyrights are legalized and their sale is made to the organizational structure interested in.

It must be considered that the results of the intellectually competitive game "Scientific and technical trial of the idea" depend on the level of organization and skills of organizer.

## **DISCUSSION AND CONCLUSIONS**

Implementation of the intellectually competitive game "Scientific and technical trial of the idea" in the author's opinion will make the work of intellectual gamers more interesting and informative; to enhance their creativity; to give for each participant the opportunity to demonstrate skills and creative potential; to get the results of intellectual activities which have scientific novelty; to create a powerful motivational mechanism for activation and use of creative potential. It is also possible to organize a series of intellectual and competitive games. A significant advantage of the intellectually competitive game "Scientific and technical trial of the idea", in our opinion, it is a possibility to create a powerful motivational mechanism to generate new ideas. Intellectually competitive game "Scientific and technical trial of the idea" was held in Kyiv University of Tourism, Economics and Law among teachers and students. The following items of game were used: perspectives providing the inner-business of innovative intellectual elites in business practice; strategic implications of "stress-economics"; management through the inner-business markets; strategy and perspectives of creation the business networks in the tourism industry; perspectives of development of the extremely-urban tourism nowadays. According to the results of intellectual and competitive gaming students and teachers received five patents for intellectual property rights.

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# THE DEBT COMPONENT OF GLOBAL IMBALANCES IN THE ECONOMY OF UKRAINE

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**Abstract:** *This article analyzes the impact of the debt component of global imbalances on the state economic sovereignty of Ukraine. The main channels of influence of global imbalances on the economic development of Ukraine is in the first place, the foreign trade channel, secondly, financial, banking, stock, and thirdly, the debt channel. The article is devoted to the impact of the debt component of global imbalances on the economy of Ukraine.*

**Keywords:** *global imbalances, external debt, official reserve assets, global economic crisis, economic sovereignty, the debt indicator*

## INTRODUCTION

In a further development of globalization processes, the importance of global imbalances is increasing. The degree of influence of globalization on the economies of individual countries depends on the place they occupy in the global economy. However, the problem of global imbalances affecting both the world's largest economies – the U.S., China, Japan, the European Union, and small countries with open economies whose economic activity is significantly dependent on external determinants. Over the past two decades, not only the U.S. but also other developed countries, traditionally performed on the world market as the net exporters of goods and services, are faced with a situation where their imports began to exceed exports. This problem is most acute for the United States – from the 1970s of the last century has not been a single year when their exports exceeded imports. This led to the transformation of the U.S. into the largest net debtor and is threatening with accumulation of the foreign debt, which will be not even adequate for the U.S. economy.

## MATERIALS AND METHODS

The material of this article is part of the results of research on the analysis of global imbalances on state economic sovereignty of Ukraine. In this article one of the channels of influence of global imbalances in the economic development of Ukraine is discussed-debt. To study this problem methodological and general scientific principle of integrated economic research, methods of observation and logical analysis, statistic an analysis is techniques are used. Also in the research process, a comparative method's used along with analysis and synthesis, abstraction and specification.

## RESULTS

The results of this research will solve the problem of Ukraine's external and promote the adoption of more decisive action to resolve the debt problems, especially outside. The results showed that global imbalances is not an equilibrium phenomenon, and arise from the interaction of a number of macroeconomic factors in the global economy.

So debt is one of the driving forces of global economic crisis. The debt performs the direct impact on the economic security of the country's economic sovereignty and economic development. From our analysis the gross external debt of Ukraine exceeds conventional security threshold of 60% and at the end of 2013 year it was 77.3%.

The analysis of the currency structure of external debts of Ukraine shows that at the beginning of 2013 that 62.1% of the debt was in U.S. Dollars, 32.1% of which – short-term debt and 62.1% – the long-term. This means that 32.1% of the debt in U.S. Dollars could be a factor of the destabilization of the currency in the conditions of its sudden drain. In accordance such capital drain will adversely affect the economy of Ukraine. In general, 74.7%

of the gross external debt is accounted for the U.S. Dollar. Thus, the Ukrainian economy depends on foreign demand and supply in U.S. Dollars. In Ukraine, as in any other country, which is integrated into the global economy, the debt component of global imbalances has significant impact on economic development. Accordingly, those new trends in the world economy, which now takes place, directly influence the Ukraine's economy in general. This calls for more decisive actions to resolve the debt problems, especially outside.

## DISCUSSION AND CONCLUSIONS

Global imbalances are accompanied by imbalances within individual countries, and including Ukraine, as international economic relations are linking all participants. This means that the violation of stability in one country generates a clear imbalance in the economic system of another country and has direct impact on its economic development.

Ukrainian national economic system cannot stay aside of global imbalances that occur in the universe. Thus, one of the problems of global imbalances impact on economic development and state economic sovereignty of Ukraine is the debt problem.

The existence of debt market is not unique in the world practice. All countries, where the financial sector is developed or is present in some form, and where financial markets are functioning properly in accordance with modern trends, are using a variety of debt market tools. Debt is divided into internal and external, and both of these types impact directly the economic security, the country's economic sovereignty and economic development.

The public debt in developed countries at the beginning of 2013, for example, in the world's largest economy of the U.S. was 108.9% of GDP (15930 billion dollars), in Japan – 242.0% of GDP (3024 billion. dollars), European such in Greece – 187.9% of GDP (576.6 billion dollars), in Italy – 120.1% of GDP (2493 billion dollars), Portugal – 114.9% of GDP (508.3 billion dollars), Germany – 81% of GDP (5719 billion dollars) [4, 5]. In Ukraine at the end of 2012, the volume of external debt stood at 135.0 billion dollars, it's 76.6% of GDP. For 9 months of 2013 year the debt has totaled 137.7 billion dollars or 77.3% of GDP (see Table. 2.6) [1]. This is the 39th in the world that we occupy between Kazakhstan and Qatar.

Table 1

Gross external debt and official reserve assets Ukraine			
Period	Gross external debt at end of period Billions of USD	% of GDP	Official reserve assets at the end of period, in billions of USD
2008	101,66	55,9	31,54
2009	103,40	88,3	26,51
2010	117,35	86,0	34,58
2011	126,23	76,5	31,79
2012	135,07	76,6	24,55
9 months 2013	137,72	77,3	21,64

Formation of the indebtedness is the result of economic activity. At any time, some states have income that exceeds their current and investment needs, while others have a need to raise funds. Indebtedness provides countries with available cash and those who need them with more opportunities to implement consumer and industrial benefits of promoting their economic growth. But the use of debt should be considered on the one hand as a stabilizing factor, on the other as destabilizing. Using debt as a stabilizing factor is possible when the size of the loan can make a positive impact on the national economy. According to the Budget Code of Ukraine, the value of principal loan may not exceed 60% of the actual annual GDP. And according to IMF data, the maximum limit of external debt in countries with low and middle income is set at 49.7% of GDP in excess of the probability of financial crises is about 70% [2]. Safe level of debt is regarded as the level at which the state can promptly and fully comply with its debt restructuring of these obligations (or declaration of default), and make government borrowing at reasonable interest rates.

The beginning of the XXI century is characterized by a number of economic, political and social crises, shocks that have global implications and lead to global imbalances: the global economic crisis 2000-2001, the global crisis of 2008-2009, the social and political conflicts in the Middle East economic crises and geopolitical turmoil in the years 2013-2014 (which see today in Ukraine). Using the analysis of the structure of 36-year cycles assume that 2013-2017 will be held on a number of major international conflicts, the extent of which will be much larger and will have much heavier consequences than in the period 1998-2005 [3]. New economic crisis, geopolitical shocks are very likely to take place in 2018-2020 years.

Considering these features of economic development in the early twenty-first century in most developed countries the ratio of public debt to GDP is increasing, and often dominates the level of 60%, which are critical for debt sustainability. Therefore, depending on macroeconomic conditions of borrower, purposes of indebtedness analysis, subjects who carried out this analysis, the value of the index has sufficiently wide range. Thus, the threshold rate debt (ratio of gross debt to GDP ratio) is rather arbitrary indicator that identifies dangerous state debt. This indicator now allows Ukraine to navigate with regard to what is safe and acceptable level of debt. The higher the actual level of the index of conventional values, the more there is a risk of the debt crisis.

Therefore, it is dangerous to allow a large public debt, as it can become not manageable, and the growth in interest payments causes self-production of public debt and budget deficit. In such situation the destabilizing effect of public debt is strengthening. If using the tool of refinancing of public debt, it can lead to the formation of new public debt, which does not act as a stabilizing factor. Increased spending on debt service would aggravate the problem of regulating the budget deficit.

The lower the actual level of debt indicator from accepted values, the lower the risk of the country's debt crisis. Accordingly, the country has more potential opportunities to meet its commitment to service and repay the accumulated debt. Also in this case, the debt indicator acts as an additional argument in favor of increasing the international rating agencies credit rating for the country.

Thus, the state plays a direct and important role in the regulation of economic growth through debt indicator.

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# BETTERMENT OF THE PERSONNEL APPRAISAL SYSTEM OF THE COMPANY

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**Abstract:** *There are theoretical fundamentals of the personnel appraisal system of the company in this scientific article. The research of personnel appraisal system of the Penza's branch CJSC "ER-Telecom Holding" was conducted by means of analysis of documents and the questionnaire survey of sales force. The results of the scientific research and rationale of the current situation are adduced, which refer to present appraisal aims, appraisal object, appraisal criteria, appraisal methods and attitude of sales force to the personnel appraisal system and its elements. Based on this information, specific recommendations are offered to improve the efficiency and competitiveness of the Penza's branch CJSC "ER-Telecom Holding".*

**Keywords:** *personnel appraisal system, aims of personnel appraisal, personnel appraisal object, personnel appraisal types, personnel appraisal criteria, personnel appraisal methods, working efficiency*

## INTRODUCTION

The modern stage of the economy demands successful activity from the company. It is explained by a growing competition and continuous change of factors of external environment. High degree efficiency of functioning ensures productivity of primary activity which is fulfilled by the organization. The key factor of the internal environment is labor realized by personnel. Competent and rational management of personnel is an actual task for the enterprises functioning in all spheres of a national economy.

The personnel appraisal system of the company is the key element of a personnel management system as it is reinforcement for a range of the control actions which are carried out by the leadership in its functional subsystems (planning, selection, motivation and stimulation, training and development, formation of a personnel reserve and rotation, dismissal). First of all implementation of personnel appraisal is dictated by necessity to making administrative decisions which influence growth of financial results and overall performance. Thus, the companies, which are engaged in introduction of the personnel appraisal system, maintain high level of personnel potential which is able to ensure a sustainable development in long-term prospect.

The purpose of this scientific work is investigation of possible economic results of implementation of recommendations for betterment of the personnel appraisal system of the company. Within purpose the following tasks will be solved:

1. Studying of theoretical fundamentals of the personnel appraisal system of a firm.
2. The analysis of system of the personnel appraisal system of the Penza's branch CJSC "ER-Telecom Holding".
3. Development of economically effective recommendations about betterment of the personnel appraisal system of the Penza's branch CJSC "ER-Telecom Holding".

## MATERIALS AND METHODS

We have considered theoretical fundamentals of the personnel appraisal system of the organization.

The personnel appraisal system of the organization represents the interconnected aggregate of the purposes, types, criteria, methods, procedures, legal, technical and information provision which functioning allows the subject of appraisal to exercise effective control of employees [4].



Douglas McGregor is one of the first who systematized the aims of appraisal. According to his classification, which is considered to be traditional, the personnel appraisal serves to carry out three main aims:

1. Administrative aim is reached by making well-founded administrative decisions on the basis of results of personnel appraisal (promotion or demotion, transfer to other work, assignment to training, dismissal).

2. Informational aim implies that workers and managers have an opportunity to receive reliable information about activity. Such information is extremely important for a worker in respect of improvement of his activity. Managers are given the chance to make the correct decision.

3. Motivational aim consists in the idea that appraisal is the most important means of motivation for people inasmuch as appropriate appraisal of work will ensure the further growth of labor productivity [3].

The object of personnel appraisal is the key component of the personnel appraisal system as its definition means a specification of the corresponding types and criteria of appraisal.

The object of personnel appraisal of the organization is the following personnel appraisal types:

1. Professional and personal qualities of the personnel.
2. Process of personnel work (working behavior).
3. Productivity of personnel works (working efficiency).

The first group of criteria, proceeding from professional and personal qualities of the personnel, includes:

1. Professional criteria contain characteristics of professional knowledge, abilities, skills, experience and qualification.
2. Business criteria include such characteristics as responsibility, self-organization and initiative.
3. Moral and psychological criteria implicate ability to self-appraisal, honesty, justice, psychological stability [3].

The second group of criteria, based on process of personnel work, includes a number of special requirements, concrete standards of behavior and procedures which are necessary for the personnel for effective implementation of their work in the company [2]. It is possible to single out from these criteria:

- Combination of professions (positions);
- Participation in overtime works;
- Aspiration to professional development;
- following norms of social and labor behavior in the organization [4].

In the third group of criteria, based on the results of work of the personnel, include:

1. Results of work of managers which are evaluated by the results of industrial and economic and other activity of the company.
2. Results of work of subordinates which are determined proceeding from effort, completeness, quality and timeliness of the performance of their administrative duty [3].

Methods of personnel appraisal are a way of achievement of the aims and tasks of personnel appraisal, evaluated by aggregate of procedures of studying all aspects of the personality and activity of the worker within the company [4].

The analysis of documents and the questionnaire survey of sales force were used for complex investigation of the problem of betterment of the personnel appraisal system of the Penza's branch CJSC "ER-Telecom Holding".

## **RESULTS**

We turn to results of the analysis of system of an assessment of the personnel appraisal system of the Penza's branch CJSC "ER-Telecom Holding". CJSC "ER-Telecom Holding" functions in the non-productive sphere. The principal activity is granting a wide range of

telecommunication services, both for corporate and private consumers. The company pays special attention to appraisal competences of applicants. The technology of a personnel assessment is a usual practice.

The Assessment-center is a complex method intended for appraisal of employees on the basis of competences under a specific personnel task [1].

The procedure of carrying out an assessment in the Penza's branch CJSC "ER-Telecom Holding" consists of several stages:

1. Development of a model of competences which corresponds to the general strategy of the company and includes competences necessary for performance of a specific task.

2. Development of business games, cases and tests for each competence.

3. Assessment is divided into some stages:

- 3.1. Presentation of the company and self-presentation of the applicant.

The appearance of the applicant, his ability to speak competently, self-confidence, activity and purposefulness is estimated at 1 point. Candidates who have gained not less than 3 points are allowed to the following stage.

- 3.2. Candidates are appraised with the developed model of competences. Each judge gives a point on each of competences from 2 to 0 for candidate's answers to the offered questions.

- 3.3. Carrying out a business game or cases in which the chosen competences are shown.

4. According to the obtained information experts choose some of the most suitable candidates for the subsequent interview with the director.

The following results concerning the attitude of sales force to the personnel appraisal system were obtained with the questionnaire survey.

1. The majority of the employees (70%) have positive attitude to the personnel appraisal system in the company, 10% of respondents have a neutral attitude and 20% perceive it negatively. This fact shows that the personnel of the Penza's branch CJSC "ER-Telecom Holding" are confident in their forces and ready to show it to the management. 30% of respondents showed lack of interest in the personnel appraisal system. Such attitude is most often demonstrated by the employees whose work in the company isn't rather effective.

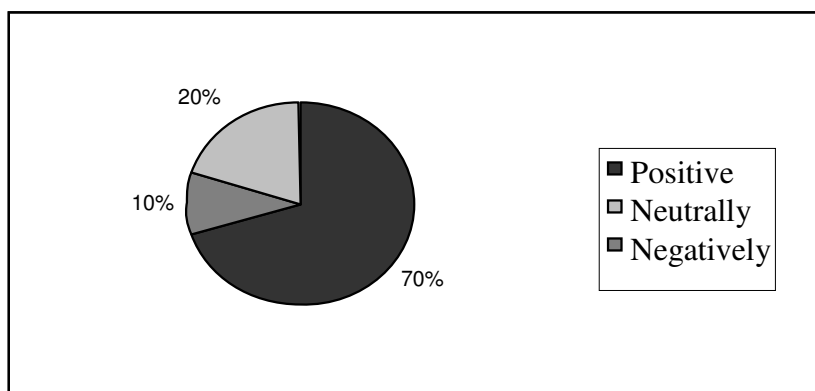


Figure 1: The attitude of employees to the personnel appraisal system

2. the most part of the employees (80%) considers that the personnel appraisal system needs measures for betterment to be taken.

However 20% of the employees don't find any need for it.

Such disagreement is a consequence of employees' and managers' discrepant vision of appraisal.

It shows up in misunderstanding of the aim, object, criteria and methods of the personnel appraisal system.

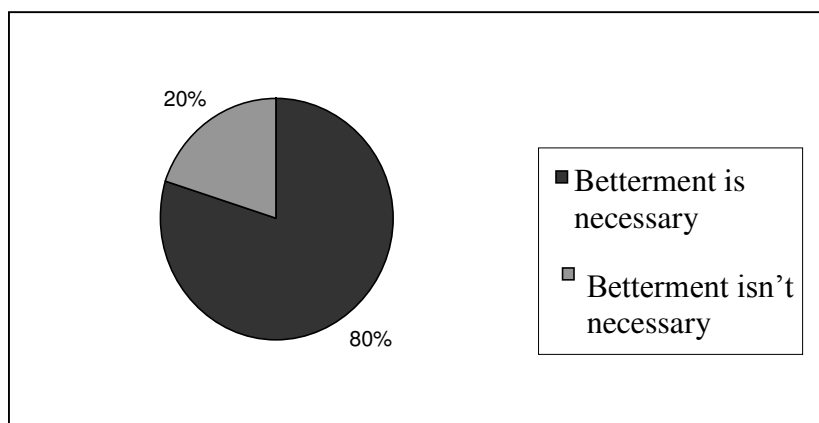


Figure 2: Necessity of betterment of the personnel appraisal system

3. According to the majority of the employees their working efficiency (50%), professional and personal qualities (30%) and working behavior (20%) have to be a subject of personnel appraisal.

The Penza's branch CJSC "ER-Telecom Holding" actively propagandizes the orientation on achievement of the purposes and results among the employees. Amenable to the questionnaire survey preference of the half of employees disperse from the key criterion of high working efficiency. It can be an illustration of low productivity of part of the sales force.

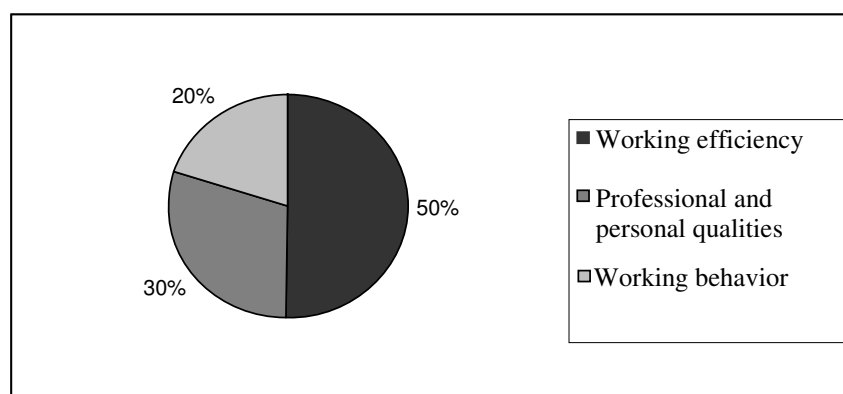


Figure 3: Attitude of personnel to the appraisal object

## DISCUSSION AND CONCLUSIONS

The results of investigation show that betterment of the personnel appraisal system of the Penza's branch CJSC "ER-Telecom Holding" is necessary as it is demanded by the emerged administrative situation which is characterized by two key shortcomings:

1. Lack of the personnel appraisal system for sales force on routine level
2. There are inefficient employees reducing financial results of the firm

The indicated problem aspects are closely interconnected. Lack of the personnel appraisal system on routine level leads to loss of opportunity to correct results of working efficiency. The motivational component of work decreases. It is impossible to optimize quantitative and qualitative components of the personnel. Analyzing the situation, we suggest developing a personnel appraisal system on routine level for sales force in the Penza's branch CJSC "ER-Telecom Holding". We offer the following key recommendations:

1. It is necessary to define the personnel appraisal aim as search for the ways of development of sales force potential at the enterprise. The appraisal object is working efficiency of the personnel.
2. It is necessary to use the offered methods of personnel appraisal: graphic scale of rating, appraisal efficiency indicators, performance standards, management by objectives and performance management.

3. There is a need to back up results of personnel appraisal with financial encouragement, training and career development at the enterprise.

4. Personnel department has to prepare regulations on the personnel appraisal system on routine level for sales force, appraisal forms and instructions for managers and employees.

5. There is a need to carry out trainings and seminars for the heads and employees explaining appraisal aims and methods.

These recommendations have an economic basis. The managers of sales department will be able to succeed in achievement of sales figures thanks to the personnel appraisal system on routine level. It ensures the high level of competitiveness in the market. Increasing role of working efficiency will promote the growth of sale proceeds of the Penza's branch CJSC "ER-Telecom Holding" through raise of personnel motivation and quality of their work.

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# HUMAN POTENTIAL AS A FACTOR IN THE TRANSFORMATION OF THE NATIONAL ECONOMY

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**Abstract:** *Current state of international human development index in Ukraine by the totality of its components is analyzed. Time series of human development index are constructed. The trends of indexes in the short term perspective are defined. Modeling of the human development index is requested to implement using cognitive analysis, constructing a cognitive model and alternative scenarios for its implementation to achieve the targeted indexes, adapted to the dynamics of macroeconomic processes in the country.*

**Keywords:** *international human development index, time series, short-term perspective, cognitive modeling, cognitive analysis, cognitive model, innovative factor*

## INTRODUCTION

In the paradigm of sustainable development of the national economy, which is the leitmotif of XXI century, human development (or human potential) is a very important aspect for researching. Scientific researches of J. Schumpeter, G. Clark, K. Sneddon, F. Jovani, M. Zgurovsky, A. Efremov, L. Korniyuchuk, L. Shostak and others are devoted to the problem of sustainable development processes.

International indicators for assessing the human development index (HDI) characterizes the state of society in complex and multi-dimensionally, along with indicators of global competitiveness and economic freedom.

This fact actualizes the problem of modern macroeconomic models' creation for sustainable development, particularly in countries with transitional economies on the stage of transformation and European integration processes [1].

There is an imminent need to take into account along with the traditional "technological" indicators of GRP, labor and capital resources in the macroeconomic equilibrium models the dynamics of "non-technological" factors, such as the human development index and its components, which expand imagination about the opportunities and challenges of the national economy in the context of globalization [2].

## MATERIALS AND METHODS

Annual Reports of the UNDP on human development index (starting with the first issue in 1992) are a source of system information about the patterns and trends of human development in different countries; they summarize the evaluation of numerous national and international organizations.

As an integrated component the human development index (HDI) measures the level of achievement in each country of "non-industrial" indicators such as life expectancy, the average number of educational years and GNI per capita in purchasing power parity (PPP) in U.S. dollars. They have a strategic importance for the growth of the national economy and its positioning in the global community.

Table 1 shows HDI in Ukraine for the period 1990-2012 [3].

The table shows that HDI has increased in Ukraine from 0.714 to 0.740 (3.64%) from 1990 to 2012.

Expected educational expectancy is increased to 2.3 years (from 12.5 up to 14.8 years) and the average educational years are increased by 2.2 years (from 9.1 up to 11.3 years) or 18.40% and 24.18%.

However, expected life expectancy decreased from 69.8 to 68.8 years (for 1 year) and GNI per capita at PPP is fallen significantly from 8.252 up to 6.428 U.S. dollars or by 28.38%.

Table 1

HDI Dynamics in Ukraine in 1990-2012

year	Expected life expectancy, years	Expected educational expectancy, years	Average educational expectancy, years	GNI per capita in purchasing power parity (PPP) 2005, \$	HDI
1990	69,8	12,5	9,1	8,252	0,714
1995	67,9	11,9	10,4	3,835	0,67
2000	67,4	12,7	10,7	3,585	0,673
2005	67,5	14,2	11,1	5,520	0,718
2010	68,2	14,8	11,3	5,938	0,733
2011	68,5	14,8	11,3	6,210	0,737
2012	68,8	14,8	11,3	6,428	0,740

Dynamic trends in Figures 1-5 show the modern indicators HDI and allow prognosticating them in short-term perspective.

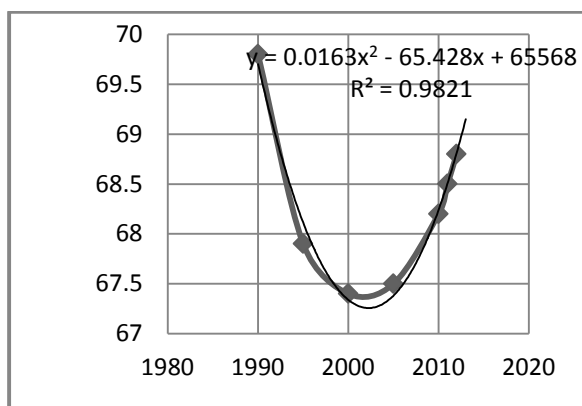


Figure 1: Expected life expectancy, years

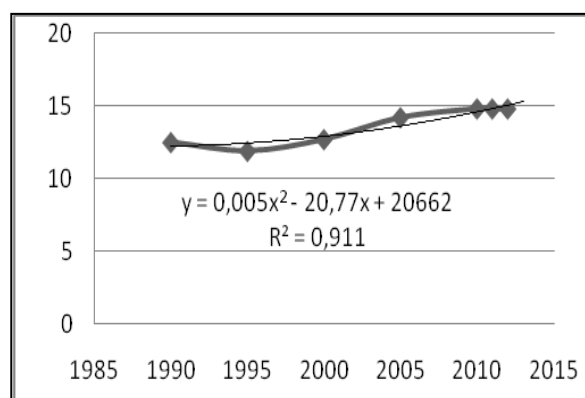


Figure 2: Expected educational expectancy, years

Charts illustrate that a positive growth trend has been observed after the apparent fall in life expectancy in 1995-2005. It is shown as a short-term forecast with  $R^2 = 0,982$ . Educational expectancy in 25 years and older and children of school age also increased ( $R^2 = 0,911$ ). However, indicators of effectiveness and educational quality require improvements. Dynamics of average life expectancy and living standard, measured by GNI per capita in constant PPP 2005 (U.S. dollars) in Ukraine in 1990-2012 as well as their forecast are shown in Figures 3-4. They show that positive trend in smoothing of the average educational expectancy in the short-term perspective is observed. But further lowering of GNI per capita is probable, that is a significant strategic threat; thus, it deserves special attention from the government.

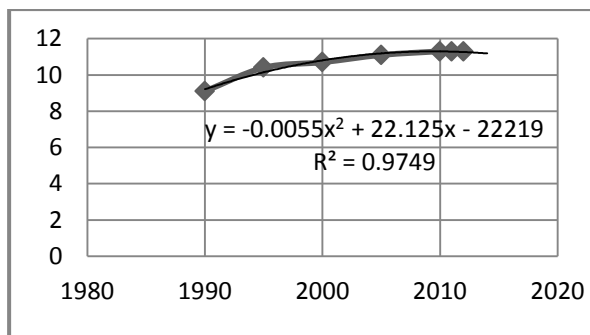


Figure 3: Average educational expectancy

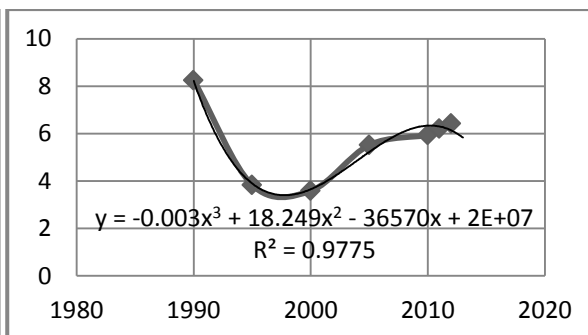
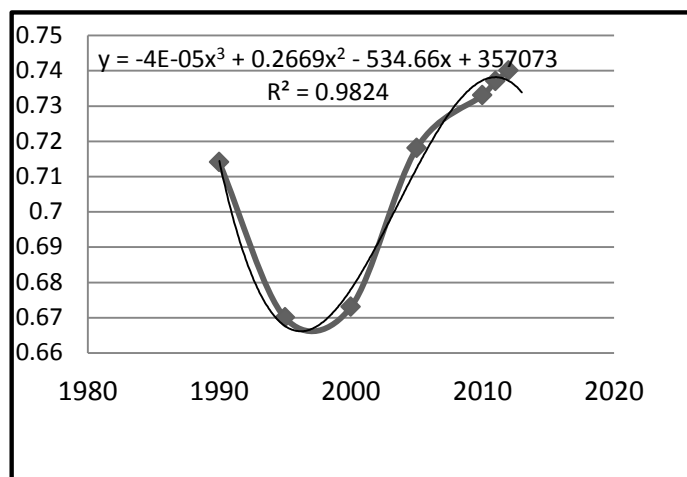


Figure 4: GNI per capita in PPP 2005, \$

Figure 5 shows the projected trend HDI in Ukraine. According to the Report HDI 2013, Ukraine ranked 78<sup>th</sup> among 187 countries with HDI 0.740 on background of world average HDI 0.694 in 2012, while in 2011 it was 76<sup>th</sup>. However, experts explain this change by features of the new calculation methodology, which changed percentage of components but not index value. Thus, if the evaluation of the previous year were made by modern methodology, the Ukraine would occupy 78<sup>th</sup> position in 2012.



Level of education as the best indicator of HDI in Ukraine is its competitive advantage. Ukraine has 29<sup>th</sup> in the literacy. However, this indicator, being versatile enough is not reflecting completely the availability and quality of modern education. Given the negative trends in changing in HDI Ukraine (69<sup>th</sup> in 2010 and 78<sup>th</sup> in 2012); the current educational level can lose this rating, that will affect adversely the international image of Ukraine.

Figure 5: HDI dynamics in Ukraine

According to the Human Development Report, 2013, Ukraine occupies 78<sup>th</sup> place with HDI 0.740 among 187 countries on background of world average HDI 0.694. Thus, Ukraine refers to the group of countries with high human development index. Table 2 presents the main indicators HDI in Ukraine in comparison with the neighboring countries.

Table 2

HDI in Ukraine and comparable countries in 2012

Countries	HDI	Position	Expected life expectancy, years	Expected educational expectancy, years	Average educational expectancy, years	GNI per capita in purchasing power parity (PPP) 2005, \$
Ukraine	0,740	78	68,8	14,8	11,3	6428
Kazakhstan	0,754	69	67,4	15,3	10,4	10451
Russia	0,788	55	69,1	14,3	11,7	14461
Europe and Central Asia	0,771	-	71,5	13,7	10,4	12243
Countries with high level of HDI	0,758	-	73,4	13,9	8,8	11501

Comparing Ukraine with Russia and Kazakhstan, the difference can be traced not only in HDI, but also in all other indicators (Table 2). Ukraine goes ahead of Kazakhstan in index of life expectancy for 1.4 years, but it is behind Russia for 0.3 year and even greater extent from Europe and Central Asia for 2.7 years and countries with high HDI for 4.6 years. In this group of countries the biggest index of educational expectancy in Kazakhstan (15.3 years).

However, Ukraine has more educational expectancy than in Russia for 0.5 year and higher than in Europe and Central Asia (1.1 years) and in countries with high HDI (0.9 year). Indicator of the average educational expectancy is the lowest in countries with high levels of HDI and the highest in Russia (11.7 years, and more than in Ukraine by 0.4 year), while Ukraine occupies an intermediate position with 11.3 years.

The most problematic indicator in HDI Ukraine is GNI per capita PPP, \$, which is significantly different from other countries. It describes the poor economic development. It is smaller in 2.25 times of Russia, in 1.9 times of Eastern Europe and Central Asia, in 1.79 times of countries with high HDI and in 1.63 times of Kazakhstan.

Our work is a research of HDI on the base of construction and analysis of time series and creation of a cognitive model (Figure 6), which allows flexible control over inputs (components of HDI), create different target-oriented scenarios of human development and adapt them to the macroeconomic situation with the changing conditions and targets of model [4].

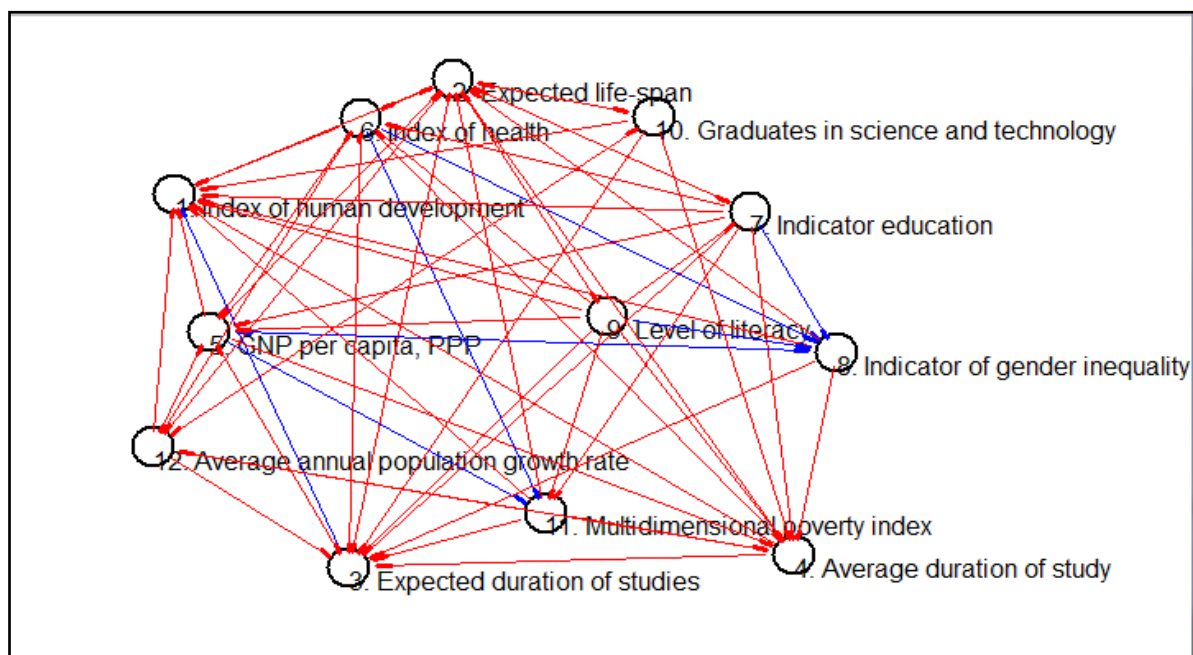


Figure 6: Cognitive model of HDI in Ukraine

Model-based cognitive analysis is conducted as a weighted oriented graph. One of the alternative scenarios of possible HDI growth and its components is selected. It is presented in Table 3.

Table 3

Forecast of HDI in Ukraine by constructing a cognitive model

Indexes	Input	Current value	Output	Consonance
HDI		0,74	Grows (6,9%)	Very possible (0,72)
Life expectancy	Grows (10,2%)	0,69	Grows (7,4%)	Possible (0,60)
Educational expectancy	Grows (1,7%)	0,15	Grows (18,4%)	Possible (0,56)
Average educational expectancy	Falls (4,4%)	0,11	Grows (5,4%)	Very possible (0,65)
GNI per capita, PPP	Grows (1,5%)	0,64	Grows (5,0%)	Possible (0,56)
Index of health	Grows (15%)	0,77	Grows (13,3%)	Possible (0,56)
Indicator education	Grows (2,7%)	0,86	Grows (4,5%)	Very possible (0,69)
Indicator of gender inequality	Falls (2,6%)	0,34	Falls (3,4%)	Possible (0,60)
Level of literacy	Grows (1%)	0,99	Grows (3,4%)	Very possible (0,69)
Graduates in science and technology	Grows (26,6%)	0,26	Grows (3,8%)	Very possible (0,69)
Multidimensional poverty index	Falls (1,4%)	0,02	Falls (9,5%)	Possible (0,60)
Average annual population growth rate	Grows (8,1%)	-0,82	Grows (7,2%)	Almost reliably (0,83)



## RESULTS

Cognitive modeling based on software "Canvas" involves the development up to 10 scenarios for the future situation and allows to control the inputs and to predict the possibility of the realization of strategic goals. The proposed scenario of the cognitive model is one of the best in terms of HDI growth by 6.9%. It reflects modern connections between input and output parameters of the model. In particular, emphasis is placed on increasing the life expectancy and the possible extension by 7.4% today to overcome the barrier of 69 years old; improving health index by 13.3%; increasing GNI per capita by 5%, which creates prerequisites for average annual rate of population growth on 7.2%. One of the main tasks was modeling and improving in the integral index of human potential its intellectual and technogenic characteristics which are oriented to innovative development of Ukrainian society. Under this scenario, the number of graduates in science and technology has to grow by 3.8% that has a positive impact on other sub-indices of human development (Table 2). The model also includes introduced indicators of gender inequality and multidimensional poverty index in 2010. As the cognitive model shows, they can be improved while ensuring the growth of other indicators [5]. In 2012 Ukraine had 57th rank among 148 countries with the index of gender inequality 0.338, while Kazakhstan and Russia had the 51st position. Comparative characteristics in terms of multidimensional poverty show that 2.2% of the population in Ukraine belong to the category of multidimensional poverty, while only 0.6% to Kazakhstan and 1.3% in Russia. The intensity of deprivations in Ukraine amounted to 35.5%.

## CONCLUSION

Innovative model of national economic development, which is embedded in the processes of globalization and European integration, should be provided with sufficient and qualitatively new human potential, reflected in HDI. As our research shows, HDI are different in different countries. In the same region in transformational period it can be seen a rapid rise in the national economy as well as a deep recession and economic stagnation.

Ukraine belongs to the group of countries with high HDI. However, significant changes have been marked in its components, primarily in GNI per capita PPP, which require an immediate reaction of government. It is visible that the greatest economic results were achieved in the countries with a high proportion of investment in human potential. Proclaimed era of intellectual and spiritual technocrats requires strategic economic planning including the human development, which is the most important point of public policy, following to the long-term goals of national revival in the transformation period.

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# Globale Trends im modernen staatlichen Management

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**Abstrakt:** Der Artikel beschreibt Studien und Erfahrungen bei der Modernisierung der öffentlichen Verwaltung in verschiedenen Ländern und identifiziert wichtige Trends unter modernen Bedingungen. Die Einzelheiten dieses Prozesses werden durch die Implementierung einer Entwicklungsstrategie in Kasachstan bis 2050 festgelegt und ebenso wird die aktive Umsetzung der Elemente der strategischen Planung und Prognose auf Basis der Anpassung mit internationalen Erfahrungen verknüpft.

**Keywords:** Staatsverwaltung, staatliches Planungssystem, nationale, regionale und sektorale Strategien, staatlicher Strategischer Plan, Regierungsprogramme

## EINLEITUNG

Anfang des 21. Jahrhunderts erfolgte aktiv der Übergang von der traditionellen öffentlichen Verwaltung auf das neue Modell. Die wichtigsten Punkte dieses Modells sind weitgehend auf den Ergebnissen betriebswirtschaftlicher Organisationen begründet. Sie unterliegen unabhängiger Forschung und sind in der Literatur beschrieben<sup>2</sup>. Frühere Studien beschreiben das Konzept der neuen Manifestierung durch die Regierung im Buch von D. Osborne und T. Eblera "Reorganisation der Leitung: Wie der Unternehmergeist den öffentlichen Sektor verwandelt". Es erklärt Änderungen, die auf Bundes- und lokaler Ebene stattfinden müssen, sowie die Beseitigung von bürokratischen Verwaltungsmodellen hin zu "Re-inventing Gouvernement" (Restrukturierung der Regierung)<sup>3</sup>. Sie haben festgestellt, dass die Umwandlung aller Ebenen der Regierung sich auf 10 Grundprinzipien konzentrieren sollte: 1) Incentive Management (Beratung, nicht Zurechtweisung); 2) Management an die Gemeinde adressiert (sie bevollmächtigen, und nicht um zu dienen); 3) Konkurrenzsteuerung (Wettbewerb bei der Organisation von Dienstleistungen); 4) Management (beweglich in der Mission (Transformierung der Organisation, die von Regeln und Vorschriften geführt wird); 5) Ergebnisorientierte Verwaltung (Konzentrierung auf Ergebnisse analog Unternehmen); 6) Verwaltung für Verbraucher (Orientierung an primären Bedürfnissen der Verbraucher, nicht an der Bürokratie); 7) Abenteuerliches Management (Expansion statt Reduktion); 8) Prudent Management (Prävention statt Behandlung); 9) Dezentrale Steuerung (Teamwork anstelle starrer Hierarchie) und 10) Marktorientiertes Management (allmähliche Veränderung hinzu den Anforderungen des Marktes). Der Zweck der Studie dient der Identifizierung und Beobachtung globaler Trends bei der Annahme neuer Modelle in der öffentlichen Verwaltung sowie deren Ergebnisse und mögliche Konsequenzen. Das Ziel der Studie war es, die Praxis der verschiedenen Länder auf zu zeigen, darunter Kasachstan und die GUS-Staaten. Die Zielerreichung bei der Umsetzung verschiedenen erforderlichen Aufgaben sowie theoretischen und methodischen Anwendung, einschließlich der Stufen der Anreicherung und Verarbeitung von Informationen und deren Verallgemeinerung auf wichtige Trends und Erkenntnisse soll hier ebenfalls dargestellt werden<sup>4</sup>.

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<sup>2</sup> Osborn, D. (2001), *Management Praktik ohne Bürokraten: Fünf Strategien aktualisiert*, Progress Publishers Moskau, Russian Federation; Governance: *Die grundlegende Theorie und Organisation*, Ed. 3, Kozbanenko, V. (2000); Kettl, F. (2003), *Reorganisation der öffentlichen Verwaltung*, Analyse der Aktivitäten der Bundesregierung, Klassische Theorien der öffentlichen Verwaltung, American School; Smorgunov, L.(2003), *Vergleichende Analyse der politischen und administrativen Reformen, das neue Public Management, das Konzept der "Governance"*, Polis, No. 4; Weiß, L. (2003), *Einführung in die Wissenschaft von der öffentlichen Verwaltung, Klassische Theorie der Regierung*: American School; Kupryashin, G., Solowjow A. (2004), *Public Management*, Lehrbuch, Moskau, Russian Federation, usw.

<sup>3</sup> Kupryashin, G., Solowjow, A. (2004), *Public Management: Lehrbuch*, Moskau, Russian Federation.

<sup>4</sup> Yuvitsa, N.(2014), *Strategische Planung und der öffentlichen Verwaltung in Kasachstan*, Monographie, ISBN 978-3-659-98093-0, Palmanum Academis-Publishing, Deutschland.

## MATERIALIEN UND METHODEN

Als Basis dieses Artikels dienten verschiedene Quellen und Methoden der Grundlagenforschung; die Analyse der Literatur; vergleichende Analysen von Governance-Praktiken in verschiedenen Ländern der Welt, die in zahlreichen in- und ausländischen Publikationen beschrieben sind; Dokumente aus verschiedenen Regierungsstrukturen; Langzeitbeobachtungen und Prognosen des Autors, basierend auf Erfahrungen in der öffentlichen Verwaltung sowie in der Ausbildung von PhD-Studenten, usw.

## ERGEBNISSE

Die wichtigsten Richtungen bei der Modernisierung der öffentlichen Verwaltung in vielen Ländern basieren auf Verbesserungen der Informationsgesellschaft. Ein Ergebnis davon ist die Erstellung von E-Gouvernement, welches die Wirksamkeit der Erfahrungen der Vereinigten Staaten, Frankreich, Japan, Kanada und anderen Ländern<sup>5</sup> aufzeigt. Weiterhin wurde dabei festgestellt, dass die Einführung von E-Gouvernement zu einer beschleunigten Entwicklung der Wirtschaft beiträgt. Es ermöglicht, Bürokratie und Kosten der Verwaltungsverfahren zu verringern, die Effizienz und Produktivität der Beamten und öffentlichen Institutionen im Allgemeinen zu verbessern und die Beteiligung der Öffentlichkeit bei der Bewältigung sozialer Probleme deutlich zu steigern. Regierungsbehörden dieser Länder sind bestrebt, die meisten öffentlichen Dienstleistungen für die Bürger und Organisationen über das Internet -Netzwerk abzuwickeln.

In Kasachstan wurde Gouvernement an die inländischen Bedingungen angepasst und bewies dabei Durchführbarkeit und Wirksamkeit. Heute ist es schwierig, sich ein Leben ohne das "Kasachen Citizen Service Center" (CSC) vorstellen. In dieser mobilen Struktur können Bürger schnell die richtige Hilfe bekommen, ersetzt Dokument der Registrierung, usw.

Mit unserer Teilnahme wurde ein Regionalprogramm zur Information und Erstellung von elektronischen Systemen in der Region Aktobe eingeführt. Die Organisation dieses Prozesses beschreibt die Bedeutung und Probleme der Region in diesem Werk<sup>6</sup>.

Durch die Erfahrungen der Europäischen Union, den USA, Australien, Südkorea und anderen Ländern am Ende des ersten Jahrzehnts des neuen Jahrhunderts, werden die Bedingungen in Kasachstan an den modernen Mechanismus für die Bereitstellung öffentlicher Dienstleistungen angepasst<sup>7</sup>. Unsere Beobachtungen und Erfahrungen zeigen, dass die ursprünglichen Standards für die Erbringung öffentlicher Dienstleistungen sich von einer begrenzten Anzahl nunmehr deutlich erhöhten. Die Qualität der öffentlichen Dienstleistungen ist einer der Indikatoren für die Wettbewerbsfähigkeit und Entwicklung des Landes. Daher wird in Kasachstan eine gute Governance als eine wichtige strategische Aufgabe betrachtet und die Arbeit auf diesen Bereich mehr und mehr konzentriert.

Analog den Top 30 führenden Weltwirtschaftsländer erfordert die Übertragung bestimmter Funktionen auf das System in Kasachstan Veränderungen vom öffentlichen hin zum privaten Sektor. In Frankreich, zum Beispiel, wird die Privatisierung der staatlichen Funktionen deutlich ausgebaut und fördert die Beziehungen zwischen Staat und Wirtschaft sowie der öffentlich-privaten Partnerschaften (ÖPP). Eine der wichtigsten Aufgaben der Verwaltungsreform in diesem Land war, die Verfahren für die Bürger zu vereinfachen, die Hauptabnehmer dieser Dienste sind. Für unser Land ist diese Erfahrung sehr wertvoll, indem Behörden und Bürger gemeinsam notwendige Verfahren zum Nutzen ihrer Kunden anpassen.

Im Kontext der Globalisierung wird ÖPP als häufigste Form der Verbesserung der Qualität der Regierungsführung genannt, welche die Erfahrungen der USA, der EU,

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<sup>5</sup> E-government, available at: [www.Investinfrance.org](http://www.Investinfrance.org), Invest in France Agency.

<sup>6</sup> Sagindikov, E. (2010), *Aktobe Durchbruch: Schritt für Schritt*, Nach den Materialien von Artikeln, Interviews, Reden, Berichte 2004-2010, A-Printing, Aktobe, Kazakhstan, p. 332.

<sup>7</sup> Bailly, M., Croxson, K., Dormann, T. and Mendonca (2011), *The public sector productivity imperative*, McKinsey on Government; Tadjeddint, K. (2011), *A duty to modernize Reforming the French civil service*, McKinsey on Government, Australian Government Productivity Commission, <http://www.pc.gov.au>.

Südostasien (darunter Indien und andere) widerspiegelt<sup>8</sup>. Ein Ausbau der Kooperation zwischen Staat und Wirtschaft war in erster Linie auf einen Mangel an Haushaltsmitteln zurück zu führen, die im Rahmen neuer globaler Veränderungen in der Weltwirtschaft relevant sind. Die wirksamsten Formen von ÖPP sind Outsourcing und Weitsicht (Foresight).

Outsourcing von Technologie erfolgt unter Beteiligung ausländischer Experten und Beratern von Wirtschaftsprüfungsgesellschaften, welche die Funktionen der Agenturen übernehmen, deren Umsetzung sich aus verschiedenen Gründen als schwierig bezeichnen lässt. Technologische Voraussicht spielt dabei eine wesentliche Rolle für die Entwicklung der ÖPP. Positive Auswirkungen auf die Entwicklung der Zusammenarbeit zwischen der öffentlichen (staatlichen) Regierung, der Wirtschaft, den Zivilgesellschaften und der wissenschaftlichen Gemeinschaft wird durch eine Harmonisierung beiderseitiger Interessen angestrebt. Die wirtschaftlichen und politischen Folgen bei der Einführung dieser Technologien sind in der Regel deutlich höher als erwartet. In Kasachstan entwickeln ÖPP neue Formen im Einklang mit den Zielen und Richtungen, die der Präsident 2007 skizzierte<sup>9</sup>. Die Regierung sowie die Regionalgouverneure wurden angewiesen, einen Plan für die Entwicklung einer modernen Infrastruktur sowie untergeordneter Aufgaben vorzubereiten, welche die Integration des Landes in den internationalen Markt unter Entwicklung neuer Zentren regionaler Wirtschaftstätigkeit und technologischer Interaktion zwischen verschiedenen Verkehrsträgern zu erstellen bei gleichzeitiger Reduzierung der Kosten für Unternehmen und Bürger<sup>10</sup>. In Kasachstan haben ÖPPs bereits legislative, institutionelle und infrastrukturelle Unterstützung und Koordinierung der Arbeiten der JSC erhalten und wurden dem "Kasachstan Public-Private-Partnership" anvertraut. Das Hauptprojekt in diesem Bereich war der Bau der überregionalen Stromleitung "Nord-Kasachstan Aktobe Oblast"<sup>11</sup>. Das Projekt wurde im Jahr 2009 gestartet und es ist klar, dass die Richtung der staatlichen Regulierung tiefere wissenschaftliche und theoretische Grundlagen erfordert. Wie in anderen GUS-Ländern sollte auch in Kasachstan eine gezieltere Nutzung technologischer Voraussicht wissenschaftlich begründet werden.

Im Hinblick auf diese Technologie wurde von russischen Wissenschaftlern z.B., ein "Roadmap ÖPPs-2025-System" entwickelt zur Verbesserung der inländischen Infrastruktur<sup>12</sup>. Vergleichende Analysen der Weitsicht-Projekte in den USA, Großbritannien, Japan, Österreich, Schweden zeigen, dass neue Studien aus der Sicht durchgeführt werden sollten, "die eine Verbesserung der Qualität der Regierungsführung in diesen Bereich" darstellt. In der internationalen Praxis (Forsyth Evolution) verbindet dieser Vektor den Übergang von der Kategorie der öffentlichen Verwaltung hin zum Marktprinzip der Interaktionspartner. Es ist offensichtlich, dass für die GUS-Staaten die Richtung der Reform der öffentlichen Verwaltung eine der Begehrtesten ist. In der globalen Wirtschaft wird Wettbewerbsfähigkeit weitestgehend von der Wettbewerbsfähigkeit des Systems der öffentlichen Verwaltung bestimmt, wie z.B. die Erfahrungen der USA und der EU zeigen. Eine Verbesserung der Wettbewerbsfähigkeit öffentlicher Verwaltungen basiert aufgrund der Erwartungen der Vorhersagbarkeit und Effizienz der öffentlichen Politik; der Transparenz öffentlicher Dienstleistungen, der Optimierung der Struktur öffentlicher Ausgaben als Notwendigkeit, die effektivsten Maßnahmen der staatlichen Unterstützung zu wählen<sup>13</sup>. Als eine vielversprechende Richtung bei der

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<sup>8</sup> Barber M., Levy A. and Mendonca L. (2007), *Global trends affecting the public sector*, Transforming Government.

<sup>9</sup> Nachricht des Präsidenten Nursultan Nasarbajew an die Menschen in Kasachstan (2007), *New Kasachstan in der neuen Welt*, Kasachstan Heute.

<sup>10</sup> Nachricht des Präsidenten Nursultan Nasarbajew an die Menschen in Kasachstan (2007), *New Kasachstan in der neuen Welt*, Kasachstan Heute.

<sup>11</sup> Sagindikov, E. (2010), *Aktobe Durchbruch: Schritt für Schritt*, Nach den Materialien von Artikeln, Interviews, Reden, Berichten 2004-2010, A-Printing, Aktobe, Kazakhstan, p. 332.

<sup>12</sup> Limareva, D. (2013), *Öffentliches Management-Entwicklung der öffentlich-privaten Partnerschaft*, Dissertation zur Erlangung des Grades Doktor der Wirtschaftswissenschaften, Rostov-on-Don, Russian federation, p. 35.

<sup>13</sup> *Globale Trends der Forschung im Bereich der öffentlichen Verwaltung und des öffentlichen Dienstes* (2013), Astana, Kazakhstan, p. 18.

Modernisierung öffentlicher Verwaltungen gilt es, ein Clustering der nationalen Wettbewerbsfähigkeit zu erreichen. Die Einrichtung nationaler und regionaler Cluster in Kasachstan werden seit mehreren Jahren umgesetzt in Übereinstimmung mit dem Programm der Clusterbildung, die das System im Brief des Staatsoberhauptes 2006 erklärte<sup>14</sup>. Sie fand ihre Verkörperung in das staatliche Programm der forcierten Industrialisierung (2010-2014 PAID) sowie anderen staatlichen Programmen und wird in der zweiten Phase des nationalen Programms der forcierten Industrialisierung in den Jahren 2015-2019 fortgesetzt. Somit erfolgt die Umstrukturierung der kasachischen Wirtschaft jetzt gezielt auf der Grundlage von Cluster-Organisation.

In der langfristigen Strategie "Kasachstan 2050" wird die Aufmerksamkeit auf die Fragen der Governance, der Wirtschaft, der Sozialbereiche und der internationalen Verbindungen fokussiert. Die Republik konzentriert sich dabei auf strategische Entwicklungsmodelle, die durch eine starke Rolle des Staates und der Planwirtschaft gekennzeichnet sind. Der Schwerpunkt liegt auf Prinzipien wie: Entwicklung der Systeme; der Zustand der strategischen Planung und Prognose; die Dezentralisierung der öffentlichen Verwaltung; die Einführung eines Systems der öffentlichen Finanzkontrolle sowie das Corporate-Governance-Staats-Modell. Eines der Ziele der Strategie 2050 ist eine neue Art der Regierung, die die neuen Herausforderungen der Gesellschaft annimmt und der Stärkung des Staates dient, welches unmöglich ist ohne eine konstante Studie der Erfahrung der führenden Länder<sup>15</sup>. Unserer Meinung nach verdient eine Aufmerksamkeit die Modernisierung der öffentlichen Verwaltung in den Nachbarländern. Im Rahmen dieser Forschung ist es von Interesse, die wichtigsten Trends in den öffentlichen Verwaltungen der GUS-Staaten zu bestimmen, und vor allem in der Zollunion, die im Zusammenhang mit dem bevorstehenden Start der EAWG steht.

Die belarussische staatlichen Wirtschaftsuniversität werden sieben Schwerpunktforschungen zugeordnet: die Volkswirtschaft; die Prognose und Planung der Wirtschaft; die staatliche Regulierung der Wirtschaft; die Institutionenökonomik; die öffentlich-privaten Partnerschaften; die Regional- und Stadtökonomik sowie die ökologische und wirtschaftliche Entwicklung. Die zweite Schwerpunktforschung definiert dabei "Prognose und Planung der Wirtschaft" wie folgt: Strategische Planung als Bewältigungsmechanismus, um die nationale Wirtschaft zu modernisieren; Realisierung der Lehren aus Vergangenheit und Gegenwart; Mechanismen für die Projekt- und Programmumsetzungsstrategien für Innovation und technologische Entwicklung; wissenschaftliche Informationen zur Unterstützung nationaler strategischer Planungen und Programmierung der sozialen und wirtschaftlichen Entwicklung; Foresight als Werkzeug der Prozessinnovation und Entwicklung der nationalen Wirtschaft; Informationssystem für die Prognose und strategische Planung der sozio-ökonomischen Entwicklung<sup>16</sup>.

Ähnliche Ansätze zur Integration von Forschungskapazitäten im Bereich der öffentlichen Verwaltung sind in Russland zu finden. Beispiel, die Abteilung für öffentliche Verwaltung an der MSU-Universität fördert jährliche wissenschaftliche und praktische Konferenzen zum Thema "Governance im 21. Jahrhundert"<sup>17</sup>.

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<sup>14</sup> *Strategie von Kasachstan in den fünfzig wettbewerbsfähigsten Länder der Welt* (2006), Kasachstan auf der Schwelle zu einem neuen Sprung nach vorne in der Entwicklung: Presidential Address für die Menschen in Kasachstan, Kasachstan Prawda.

<sup>15</sup> "Strategie Kasachstan 2050", *Zustand einer neu etablierten Politik* (2012), Botschaft des Präsidenten der Republik Kasachstan, Kasachstan Prawda, No. 437-438, pp. 1-8.

<sup>16</sup> Forschung und Lehre BGEU, *von Generation zu Generation* (2013), Staatliche Wirtschafts-Universität, Minsk, Weißrussland, 159 p.; p. 19.

<sup>17</sup> Öffentliche Verwaltung im XXI Jahrhundert: *Tradition und Innovation* (2010), Proceedings der 8. Internationalen Konferenz der Fakultät für öffentliche Verwaltung, Moscow State University, p. 888; Staatsverwaltung im XXI Jahrhundert: *Tradition und Innovation* (2011), 9. Internationale Konferenz, Moskauer Universität Verlag, Moskau, Russian Federation, p. 936; Einladung des Organisationskomitees Moscow State University zur 10. Internationalen Konferenz über "Governance im XXI Jahrhundert": *Agenda der russischen Behörden*, Fakultät für öffentliche Verwaltung, Moscow State University, Russian Federation.

Im Jahr 2010 betraf dies dabei folgenden Bereiche: Governance und die Weltwirtschaftskrise; staatliche Regulierung der Außenhandelsaktivitäten in neuen wirtschaftlichen Bedingungen; Bewirtschaftung der natürlichen Ressourcen im Übergang zu einer nachhaltigen Entwicklung. Im Jahr 2011 wurde das dringendste Problem der Prüfung der Wirtschaftspolitik eines modernen Staates diskutiert.

Ebenso die Themen "Regierung und Modernisierung; Regionalverwaltung und lokale Regierungen in modernen Bedingungen; Kommunikation mit der Öffentlichkeit im politischen Kontext der Globalisierung; Probleme neuer sozialer Bedingungen; Management in der Informationsgesellschaft"; usw.

In den Jahren 2012 und 2013 wurden die tatsächlichen Probleme im Dialogs zwischen Wissenschaftlern aus fast allen Regionen der GUS erörtert, wie z.B.: institutionelle Herausforderungen russischer Behörden; Stärkung der russischen Staatlichkeit; Strategie der wirtschaftlichen Entwicklung im Kontext der Modernisierung; moderne Management-Techniken; regionale und kommunale Behörden; Sozialpolitik und sozialen Gerechtigkeit in der gegenwärtigen russischen Gesellschaft, etc.

Durch den Präsidenten der Republik Kasachstan wurden Hauptlinien der Forschung im Bereich der öffentlichen Verwaltung in der Akademie für öffentliche Verwaltung gebildet<sup>18</sup>.

Dies betrifft z.B. die Bereiche wie: Talentmanagement; Mentoring als eine Form der beruflichen Weiterbildung von Beamten; Qualität öffentlicher Dienstleistungen; Dezentralisierung öffentlicher Aufgaben; Korruption und Transparenz; Risikomanagement im öffentlichen Sektor; öffentlich-private Partnerschaften und Outsourcing; Crowdsourcing; nationale Wettbewerbsfähigkeit und Cluster; Leistungs- und Unternehmenskultur; Ergebnisorientierte Budgetierung; Informatisierung der Gesellschaft; Ethik im öffentlichen Dienst; Probleme der Führung in der Regierung; usw.

Eine Analyse der wichtigsten Richtungen der Forschung im Bereich der öffentlichen Verwaltung und unter den Partnern der EWG zeigt deren Gemeinsamkeiten, Unterschiede und Erfolge. Ebenso gibt es Unterschiede im Verständnis der Rolle der öffentlichen Verwaltung bei der Anwendung der strategischen Planung. Kasachstan setzt die strategische Planung als aktives Instrument der Regierung ein.

Diese Erfahrung kann von erheblichem Interesse für das Land in der Annäherung an seine Partnerländer sein.

So kann unsere Forschung die wichtigsten Richtungen bei der Modernisierung der öffentlichen Verwaltung darstellen, die unter gegenwärtigen Bedingungen in vielen Ländern gewählt werden kann. Positive Auswirkungen auf die Effizienz der öffentlichen Verwaltung im Ausland haben eine Vielzahl von Werkzeugen. Art und Inhalt der neuen Modelle spiegeln sich in einer Verbesserung der Informationsgesellschaft, dem Erweiterungsmechanismus für die Erbringung öffentlicher Dienstleistungen; den ÖPPs, der Clusterung der Wirtschaft, dem Erwerb der Fähigkeit zur Führung des Landes sowie in öffentlichen Einrichtungen als Einheit (Performance) wider.

In Kasachstan gibt es ein neues Modell der Governance als wichtigste Säule für die konsequente Umsetzung von wichtigen Grundsätzen wie: die Entwicklung der staatlichen Planung und Prognose; der Dezentralisierung der öffentlichen Verwaltung; der Einführung eines Systems der öffentlichen Finanzkontrolle und dem Corporate-Governance-Staat-Modell.

Allgemeine Gesetze bei der Entwicklung der öffentlichen Verwaltung in post-sowjetischen Staaten ermöglichen die Charakterisierung der Studie sowie eine vergleichende Bewertung der Probleme der wissenschaftlichen Forschung der Zollunion (Weißrussland, Kasachstan, Russische Föderation) und der Mehrheit der GUS-Staaten.

Die meisten Forschungsschwerpunkte im Bereich der Governance innerhalb der teilnehmenden Partner werden in Tabelle 1 zusammengefasst.

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<sup>18</sup> *Globale Trends der Forschung im Bereich der öffentlichen Verwaltung und des öffentlichen Dienstes* (2013), Astana, Kazakhstan, p. 18.

Tabelle 1

## Forschungsschwerpunkte in der Regierungen der GUS, erstellt von Autor

Republik Belarus	Republik Kazachstan	Russische Föderation
Volkswirtschaft	Performance Management, Unternehmenskultur, Management des Staates als einheitliche Körperschaft	Wirtschaftspolitik des modernen Staates
Prognose und Planung der Wirtschaft	Ergebnisorientierte Budgetierung	Strategie wirtschaftlicher Entwicklung im Kontext der Modernisierung
staatliche Regulierung der Wirtschaft	Dezentralisierung der öffentlichen Aufgaben	Politik im Kontext der Modernisierung
Institutionenökonomik	nationale wettbewerbsfähige Gruppen	moderne Management-Techniken
öffentlich-private Partnerschaften	öffentlich-private Partnerschaften und Outsourcing	
Regional-und Stadtökonomik	Kleinstädte als Zentren des Wirtschaftswachstums	kommunale Regierungen, Anti-Krisen-Strategien in lokalen Gebietskörperschaften
	Risikomanagement im öffentlichen Sektor	Governance der Weltwirtschaftskrise, Management im instabilen Finanz- und Wirtschaftssystem
ökologische und wirtschaftliche Entwicklung	Korruption und Transparenz	Bewirtschaftung natürlicher Ressourcen und Übergang zu nachhaltiger Entwicklung
	Crowdsourcing	Probleme neuer sozialer Bedingungen
	Qualität öffentlicher Dienstleistungen	
	Informatisierung der Gesellschaft	Governance der Informationsgesellschaft
	Ethik im öffentlichen Dienst, Mentoring als Form der beruflichen Weiterbildung von Beamten	Bildungsmanagement, Personalmanagement, Effizienzfaktoren
	Führungsprobleme in der öffentlichen Verwaltung, Talentmanagement	

All dies erfordert eine Harmonisierung der nationalen Modelle öffentlicher Verwaltungen im Einklang mit den Trends der Weltwirtschaft und globalen Management.

### DISKUSSION UND SCHLUSSFOLGERUNGEN

Die Studie bestätigt die theoretische und praktische Relevanz der Forschung globaler Trends in neuen Modellen des Regierens in der modernen Welt. Der Aufbau einer Wirtschaft, die auf Wissen und Innovation beruht, erfordert die Entwicklung geeigneter Managementsysteme auf Mikro -und Makroebene. Unserer Meinung nach muss in allen Ländern der Zollunion mehr Aufmerksamkeit auf die Probleme der Forschung im Bereich der öffentlichen Verwaltung gewidmet werden. Die Verwendung der strategischen Planung und strategischen Prognose in post-sowjetischen Ländern, die für eine lange Zeit von der Planwirtschaft dominiert wurde, ist ein weiteres wirksames Werkzeug die NSU. Die Gültigkeit dieser Schlussfolgerung wird durch die Tatsache untermauert, dass die Technologie und Modernisierung der öffentlichen Verwaltung in verschiedenen anderen Ländern enge Beziehung mit der strategischen Planung und der strategischen Prognose bestätigt. Dies wird deutlich durch die Erfahrungen Kasachstans dargestellt.

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# THE PENSION SYSTEM REFORM IN THE REPUBLIC OF KAZAKHSTAN: PRESUPPOSITIONS, PREREQUISITES AND PROSPECTS IN THE CONTEXT OF THE WORLD ECONOMY GLOBALIZATION

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**Abstract:** *The reason for the increased attention to the problems of pensions is the state of the current pension system in Kazakhstan that is one of the most pressing social and economic problems in the period of market relations. The article reviews the presuppositions for the pension reform, its prerequisites and possible options for the reform of this system. The authors analyze the current pension system and offer a variety of activities for its improvement.*

**Keywords:** *pension system, saving funds, reform, investment portfolio, retirement assets, pension savings*

## PROBLEM STATEMENT

Decent pension provision of citizens is one of the important and complex socio-economic problems regardless of economic stability and prosperity of any country. Focused attention to this aspect of social policy is related to the causes that are common to most countries: demographic changes reflected in the increase in life expectancy and the aging of the population, the depletion of internal resources and reserves of the solidarity principles and forms of pension. In the heart of the debate on the pension reform that has spread within academic and political set of Western countries and countries in transition is the search for new and more effective methods and tools, the creation of multi-level, complementary and interrelated systems and the active involvement of the population to self-financing and the accumulation of pension. The crisis of the pension systems in many developing countries has drawn attention to the creation of the "optimal" pension system and made economists to get a closer look at the experience of pension systems' functioning based on different principles. The problems of pension in the industrial and post-industrial economies are constantly arising as the traditional ways of providing old people with pension (intra-family transfers and continued employment) fade into the background. The pension system is an important sector of government intervention in the economy and the costs of the pension sphere maintaining are an essential part of public spending. Saving pension funds are among the important social and economic institutions being the most active institutional investors in the economy that manage long-term financial resources.

Nowadays there are only two alternative systems: distributive pension system based on the principle of solidarity between generations and funded pension system. There is no consensus about which way of the pension system reforming is the best yet, because both models have their advantages and disadvantages. Disadvantages of the solidarity system are that with the aging of the population long-term social commitments do not provide long-term income. Challenges of the funded pension system are: 1) Distrust of citizens is a psychological aspect; 2) Insufficient amount of contributions and their irregular and incomplete admission to pension funds, hidden unemployment is an economic aspect; 3) Conservative management and

as a consequence the low return on pension assets is a financial aspect. All this leads to the fact that not all citizens can get a decent pension. World experience shows that funded pension systems are becoming more common being an effective tool for promoting economic growth of the countries. The financial institutions that are built on a funded pension scheme harmoniously co-exist with the earlier organized state distributive pension programs. Thanks to the pension reforms citizens around the world have the opportunity to participate in forming their future pension savings by investing them in various financial institutions.

In 1998 Kazakhstan started reforming the pension system and the implementation of the gradual transition from the social principle of solidarity between generations to the principle of individual pension savings. As a result of the reform that was carried out taking into account the international experience of the social security systems functioning in Kazakhstan: 1) was created and still operates a multi-level system consisting of a base, compulsory (solidarity and funded) and voluntary levels of pension; 2) on the basis of sustainable socio-economic development there was increased the funding of the pension program. For 14 years (1998-2012) the minimum pension has increased by 11 times (from 2,440 to 26,211 Tenge), medium one – by 10 times (from 3,964 to 38,765 Tenge), the maximum one – by 7 times (from 7,256 to 56,047 Tenge); 3) was accumulated the practical experience in the implementation and operation of the funded system; 4) pension savings of citizens are increasing. The rate of pension on January 1, 2013 was 3,183.2 billion Tenge.

The pension system in the Republic of Kazakhstan (RK) has been extensively developed in the direction of improving the funded principles. The peculiarity of the pension system in Kazakhstan is a combination of solidarity and funded mechanisms. The development of funded pension systems is complicated by serious problems in terms of lack of development of the stock market and the instability of the economic development dynamics. An effective solution of the outstanding problems through the use of world experience of pension reform is possible only with careful study of the prevailing local conditions.

In prospect there will decrease the rate of pension payments from the solidarity system due to its decay (there reduces the seniority of citizens accumulated to 1.01.1998). It was assumed that this reduction will be offset by payments from pension saving funds. However the relatively short existence of the pension system cannot provide a socially acceptable level of pension.

In this regard there appears a need for further modernization of the funded pension system (FPS). The amount of savings is already more than \$17 billion. There are about 8 million depositors, but nowadays they do not have the opportunity to influence the investment policies of pension funds, so they treat the pension deductions as taxes. The managers of individual FPS use them as their own money and serve the interests of shareholders [1].

The objectives and features of the pension system modernization were defined the following aspects:

1. Ensuring of correspondence of the pension benefits with previously received revenues and increasing standards of living in the country.
2. Ensuring of the financial sustainability of the pension system.

The modernization will be carried out under conservation of multi-level pension system. Essential and inter-related changes will be made at a base level, compulsory level – in solidarity and funded components, and voluntary one. The conversion will be carried out in stages taking into account a broad discussion and publicity. The modernization of the pension system in Kazakhstan is provided in the following areas:

*1) Creation of single pension saving fund (SPSF) and improving the efficiency of the funded pension system.*

For the implementation of management of depositors' pension accounts there will be created a single pension saving fund (SPSF), which is proposed to establish as a joint stock company. The founder and shareholder of a single pension saving fund will be the Government of the Republic of Kazakhstan. This fund will be the only organization that

carries out the compulsory involvement of pension contributions. It can also according to the choice of the citizens themselves accumulate voluntary and voluntary-professional pension contributions and keep track of individual pension accounts of depositors and make pension payments from the pension savings. Management of pension funds and their storage will be carried out by the National Bank of the Republic of Kazakhstan. SPSF is a legal successor of all agreements on pension concluded before the entry the law into force.

Existing pension saving funds (PSF) will retain its own assets and will be able to continue their activities as managers of investment portfolio or voluntary saving pension fund.

Pension savings of depositors will be transferred to SPSF in full. Each depositor will receive information about the amount of individual pension assets corresponding to their pension contributions and investment income provided by SPF at the beginning of the year.

The assets will be assessed, but as the procedure for assessment of pension assets will take time as a basis for evaluation will be taken the results of PSF audit conducted by independent companies on the results of PSF activity for 2012.

The transfer of individual pension accounts of depositors and their savings in SPSF will take place in a short period of time (after the adoption of the law) and according to the schedule established by the National Bank.

Thus, to ensure the reliability and financial stability of the pension system the state on the one hand retained the guarantee of citizens' pension savings, on the other hand will take measures to improve the investment return on pension assets.

#### *2) Unification of the pension age.*

Another aspect of the reform is to unify the pension age. Because of the closing of solidarity system a growing role in citizens providing is assigned to the funded pension system. Today out of the total number of individual pension accounts women have 3.8 million, or 45%. An average rate of pension savings of a woman is 25% lower than man's.

The backlog of pension savings of women is connected with two reasons:

- a) Relatively less experience of participation in the funded pension system;
- b) Gender differences in payment for labor. Last five years, for example, the average monthly wage of women in the economy generally ranged from 66% to 68% of the average male wage.

Aligning of the retirement age of women there increase the opportunities for larger pensions. For the implementation of this proposal is suggested to carry out in stages within 10 years, increasing the pension age by 6 months each year starting from 2018.

#### *3) Transition to the compulsory-professional system of pension for citizens involved in work with special working conditions [2].*

The problem of pension for people employed in the heavy and hazardous working conditions in the existing legislation is implemented through voluntary-professional pension contributions of employers.

Currently the voluntary-professional pension contributions are paid to more than 4 thousand people, while the number of such workers is 346.6 thousand people. Practice shows that the voluntary funded pension system is not developed and therefore does not offset the risks connected with employment in the special working conditions. In this regard it is proposed in addition to the compulsory pension contributions of employees introduce the compulsory-professional contributions in the amount of 5% of the payroll. The list of types of plants and professions of workers employed in hazardous work will be approved by the Government. We believe that the changes will increase the interest of employers to improve working conditions in the workplace. The draft law "On introduction of changes and amendments to some legislative acts on pensions" includes amendments and additions to 10 codes and 26 laws.

#### *4) Increasing the investment return on pension assets of depositors.*

It should be admitted that the PSF failed to diversify sufficiently their assets. Currently about 87% of pension assets are placed in the Republic of Kazakhstan (RK). Under the

current regulatory and legal acts of RK at least 20% of PSF assets should have been invested in government securities, up to 40% assets may be placed abroad. In fact there happened the following: the share of government securities is 50.5% and the foreign assets – 9%. PSF really reinsured and reinvest savings in government securities inside Kazakhstan. Risks are lower, but the yield turned out to be also low.

To increase the investment return on pension assets the National Bank of RK will place on a competitive basis the citizens' pension savings among management companies that will be selected according their positive experience in the financial markets, the level of profitability, and the value of their commission charged with citizens' pension savings and their reputation.

There will be taken measures to diversify the investment portfolio (according to the country, asset class and currency), which must comply with the investment policy defined by the Pension Assets Management Council under the President of Kazakhstan. There defined a minimum level of investment return on pension assets for management companies who wins the competition.

Scientific solution of the problems of the pension system reform in RK under the modernization of the economy, diversity and innovation and the related tasks require the development of the theory and methodology of a new branch of science, which should be formed at the interface of social and economic spheres of life. This determines the relevance of the research and studies for new directions in the development of measures to create a pension system that will be adequate to the changes in social relations that were in the past and will be in the future.

*The subject of our study* is economic relations arising in the process of reforming the country's pension system taking into account international experience and aimed at optimizing it to the global market.

*The purpose of our study* is to explore the experience of foreign countries in the pension system reform of the state and development of recommendations to improve the pension system of Kazakhstan in the context of economic globalization.

## **RESULTS**

The formation of pension systems in developed countries started quite a long time ago, but at the present stage pension systems are reviewed regularly, supplemented and updated in accordance with the socio-economic conditions.

In every country of the world there used a combined system, which includes two or all three types of pension systems. In the developed countries due to demographic situation the distribution systems are in decline: for every retiree there are less working citizens. In Denmark, Finland, France, the United States and other developed countries of the world citizens get large pension due to accumulative pension systems.

For example, in the U.S. the average pension is about \$ 1,200 (50% of salary). Wage-worker pay contributions into the pension fund in the amount of 7.5% (the employer pays the same amount.) Non-wage worker (business people, lawyers, artists, etc.) pay for themselves the full amount 15% [3].

In Japan pension consists of two parts - base (guaranteed to be paid to all on reaching retirement age) and employment (formed from contributions that employees and employers contribute equally). The average pension is 60% of earnings.

In Germany the employer and the employee share equally contributions to the pension fund – only 20.3% of the earnings of the employee. The amount of pension is 70% of salary. In the UK the employee pays into the fund 10% of the salary, the employer adds from 3% to 10.2% [3]. The pension is 50% of salary. The state guarantees just a minimum pension.

The French contribute to the pension fund 16.35% of earnings (employee and employers – in half, professional people – completely independently). The amount of pension is 50% of the average salary over the last 11 years of life [3]. In Sweden operates a three-level pension system [3].

The first level is the distribution system. Pension in the distribution system depends on the employee's salary and the contributory constituting 16% of wages. The second level is the funded system. Funded pension depends on the employee's salary who deducts 2.5% of salary to an individual pension account. The third level is a voluntary pension. In Sweden voluntary professional pension system regulated by the collective agreement between the employee and the employer is widespread. Experts from Forex Academy and Masterforex-V stock trading point out that there is no ideal pension system the world. Due to the world population aging the pension problem is going to become one of the most intractable conflict the in the future: the authorities will be required to raise the retirement age, the people - to increase the rate of pension. Pessimists say that the only way to ensure a dignified old age is to earn and save for a whole life not relying on anyone including the state [3].

In the late 1990s many countries moved to create a multi-level system of pensions. Thus, Table 1 shows the types of national pension schemes [4].

Table 1

Types of National Pension Schemes (1999)

Distribution Scheme		Funded Scheme		Mixed
Pure distribution	Notional accounts	Provident funds (state management)	Individual accounts (private management)	
Organization for Economic Cooperation and Development *	Italy	-	-	Australia, Sweden, Switzerland, the United Kingdom
Latin America *	-	-	Bolivia, Chile, El Salvador, Mexico	Argentina, Colombia, Peru, Uruguay
Central and Eastern Europe and the Former Soviet Union	The Kyrgyz Republic	Kazakhstan	-	Croatia, Hungary, Latvia, Poland
Cambodia, Korea, Laos, Philippines, Vietnam, Indonesia, ** Malaysia	China, Mongolia, India	Indonesia, Malaysia, India	-	Hong Kong, Thailand
* all the countries except those that indicated in the other columns of the table				
** South East Region				
Source: created by authors with the help of [4]				

There are two different approaches to pension. The first approach is based on the recognition of the responsibilities of each member of society along with its own responsibility to participate in based on the principles of solidarity collective insurance in case of risks (unemployment, old age, sickness, disability). On the principles of solidarity and current financing were built social security system in all developed countries with socially oriented economy, the countries of Central and Eastern Europe and the former Soviet Union.

The second approach is based on the principle according to which only the person is responsible for the creation of his life conditions. The concept of a funded pension system is not something fundamentally new for a world. At the dawn of the industrial societies this institution has acted as the main mechanism of self-protection for workers and small entrepreneurs in the event of termination of their employment. It received a "new breath" in the 1980s, a period of dominance of liberal ideas, and found practical expression in the form of compulsory personal insurance in Latin America and a number of developing countries in other continents. By the end of the 20 century only five countries (Chile, Bolivia, El Salvador, Mexico and Kazakhstan) completely abandoned the distributive scheme and switched to a purely funded [5].

Most countries have created mixed and multi-level systems that combine funded and distribution elements. A number of states improving its distribution scheme introduced into them the system of notional accounts, thus providing a closer link between individual contributions and his pension under the old system.

Accumulated by that time the world experience has shown that the problems of financial security of pension systems can go in three directions:

- 1) Maintaining a reformed form of public distributive pension system while stimulating the development of voluntary private pension programs;
- 2) Introduction of a multi-level distribution-funded pension scheme funded from a variety of sources;
- 3) The transition to a fully funded scheme [5].

Further we consider the multi-level pension schemes in some transition economies shown in Table 2.

Table 2

Characteristics of multi-level pension schemes in some transition economies

Country	The beginning of the reform	The nature of the first level	Ratio of labor in the second funded level (2000)	Transition strategy
Hungary	January 1998	Distributive system	45%	Mandatory for new entrants to the labor market, voluntary for all other
Poland	January 1999	Notional accounts	70%	Mandatory for persons younger than 30 years old, voluntary for persons 30-50 years
Kazakhstan	January 1998	Guaranteed minimum	100%	Mandatory for all employees
Latvia	July 2002 (the system of notional accounts from January 1996)	Notional accounts	72%	Mandatory for people younger than 30, voluntary for people who is 30-50
Croatia	January 2002	Distributive system	60-70%	Mandatory for people younger than 40, voluntary for people who is 40-50

*Source: compiled from [6]*

According to the first model, pension system reformed the Czech Republic. The country remains mandatory state pension scheme based on the principles of distribution, which is complemented by private pension insurance.

The other states of the Central Eastern European region have chosen to create the similar multi-level pension schemes, but with some country-specificity [6].

Among the countries of Central and Eastern Europe Hungary has most fully realized three-level mixed ***funded-distribution scheme*** proposed to developing countries by the World Bank. There were no fundamental changes in the public distribution system, it was only slightly modernized, it remains mandatory, government guarantees, solidarity of generations, etc. There was initiated and planned the transition to multi-level schemes in Bulgaria, Croatia, Romania, Slovakia and Macedonia.

Among the former Soviet Union countries the first country to convert to a distribution scheme in 1996 building it on the basis of conditional savings accounts was Latvia. The transition to a system of individual record, conditional savings account, was carried out in Kyrgyzstan and Moldova.

The third possible direction of pension reform is implemented in Kazakhstan. Since 1998 the country has a sample of Chilean pension reform. Its idea is to phase out the distribution and to transit to private funded scheme. During 30 years there was assumed the preservation of the distribution level, but employers' contributions to it have been reduced from 25.5% to 15% of payroll. Mandatory second funded level is financed by contributions from employees in an amount equal to 10% of wages (wages were adjusted to compensate for this new deduction.) And finally, the third voluntary level is formed by voluntary private contributions, or employer, or both.

However the prospects for reform are still uncertain. Kazakhstan has a radical pension reform where well-developed capital markets regulated by government or civil society institutions are absent. At the beginning of 2013 the number of pensioners in the Republic Kazakhstan was amounted to about 1,759 thousand Tenge or 10.6% of the total population. According to the projected increase of the average pension in 2013 (cumulative pension + basic pension) costs of the national budget is about 900 billion Tenge (for the year 2012 820 billion Tenge) – that's 15% of all expenditures of the republican budget (Figure 1).

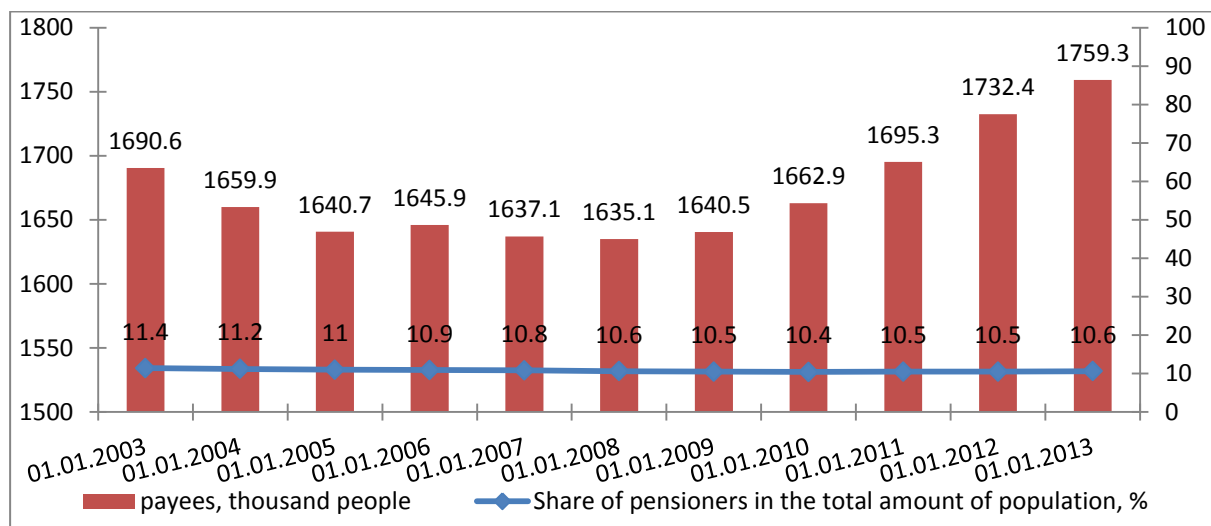


Figure 1: Proportion of receiving pension in the total population of the Republic of Kazakhstan, Compiled by authors

During the period under review there has been a slight change in the number of pensioners compared with 2002 the absolute growth rate in 2012 was 69 thousand people, i.e. only 4.1% (Figure 1). It should be noted that the average annual growth of the number of pensioners is 0.1%. On January 1, 2013 the employed population in the Republic of Kazakhstan amounted to 8,507 thousand people, or 51% of the total population (Figure 2).

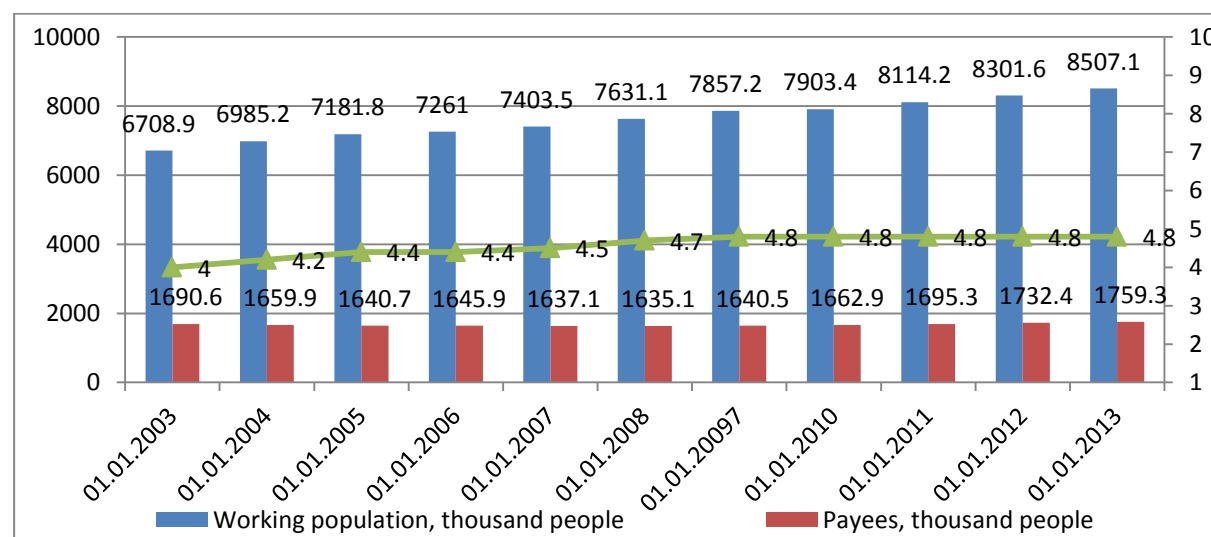


Figure 2: Change in the number of people receiving pension and working population of the Republic of Kazakhstan, Compiled by authors

According to Figure 2, it is clear there are 4-5 employed per a single pensioner. Thus, this figure has remained unchanged for past 10 years. An important indicator of the pension system is the amount of the minimum monthly pension in the Republic Kazakhstan. Therefore it is necessary to analyze the dynamics of the average pension (Figure 3).

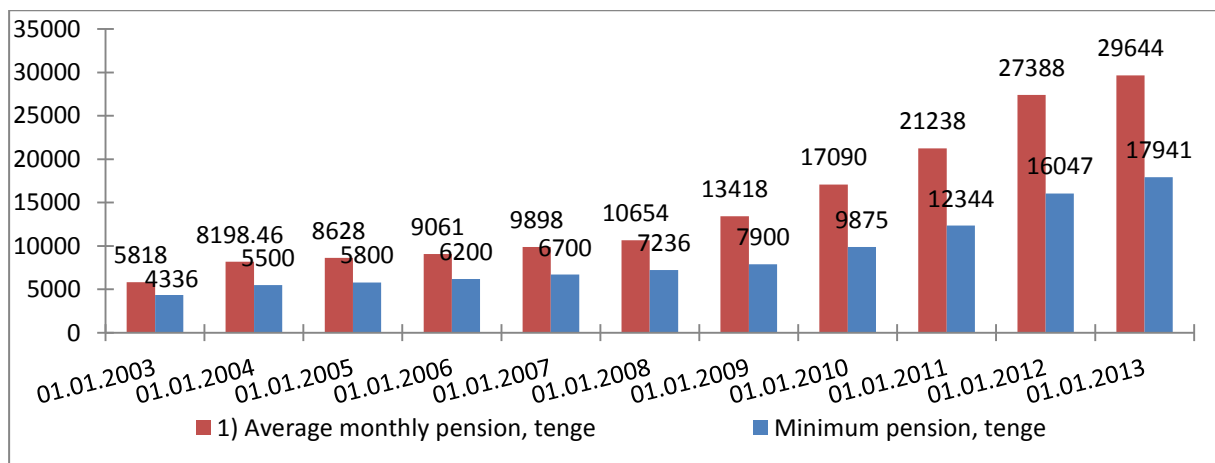


Figure 3: Change in the minimum average monthly pension in the Republic of Kazakhstan, Compiled by authors

As it can be noticed in Figure 3 there is a significant increase in the amount of the minimum pension by 4.1 times, and the average monthly pension by 5.1 times, which is a positive trend of growth. When in Kazakhstan FPS was inculcated there was expected to achieve three advantages:

1. Unloading of the state budget from the burden of social spending. Indeed the "unloading" of the budget was only in the first years of the pension system operation. In the future the state bears the costs of: basic pension payments, guarantee fees with inflation, safety guarantee (compensation of losses of PSF if the equity of PSF or the management company will not be enough).

2. The lack of dependence on pensions and unemployment in the country and on the capabilities of the state. However there is a direct correlation to its own unemployment. Moreover the ability of the state is always higher than the ability of the pension funds that is why FPS uses the mechanism of state guarantees.

3. Increase of the amount of pension and mitigate of social tensions. At the moment the average pension has fallen to 29.9% of the average wage and artificially raised to 37% due to the basic pension payments.

Currently the majority of self-employed people pay the pension contributions within the permitted minimum, which is not more than 1.2 times the minimum wage. For 35 years the total amount of savings of the depositors will be 42 times the minimum wage. Such savings will be enough to pay pension to the minimum wage for 3.5 years.

Citizens who were participants in only solidarity pension system, i.e. they are today's pensioners, who retired before January 1, 1998 and who had seniority on January 1, 1998, receive a pension from the state budget a solidarity and basic pension.

The citizens who are members of a mixed pension system, that is both and the solidarity and FPS, get pension that consists of a common, funded and basic pension.

Citizens who are members of only a funded pension system (i.e. who do not have seniority on January 1, 1998) will receive a base and a contributory pension.

For those citizens, who were not party to no solidarity neither funded systems, will remain eligible for state social benefits in their old age – 50% of the cost of living.

Now we need to analyze the three levels according to the ratio of pension to the average wage of available (this is the average monthly salary after deduction of income taxes and pension contributions).

The ideal level is when the average pension is 100% of average salary (AS). This is possible in the period of zero unemployment and if the average life expectancy does not exceed the retirement age by more than 4-5 years. However this is impossible to achieve in practice. The optimal level is when the average pension is equal to 70% of AS (Figure 4).



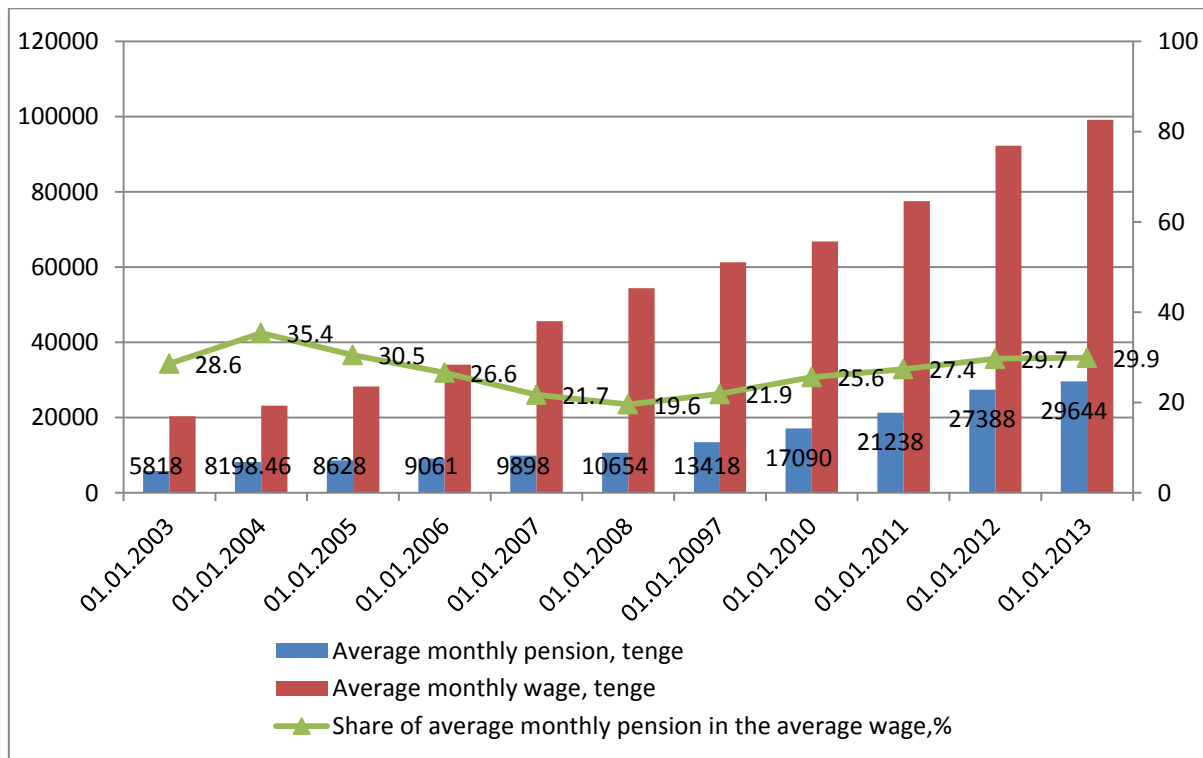


Figure 4: Share of average monthly pension in the average wage, Compiled by authors

This is possible if the unemployment rate is low and stable over a long period. Minimum level is when the average pension is 40% of AS. This is a critical level below which the welfare of senior citizens is doubtful and the model of the pension system is questionable in its effectiveness. In the late 1970s because of the crisis the ratio of pensions to wages in Chile reached 28% (or 22% of the average monthly salary), the same ratio was observed in the 1990s in post Soviet countries. In Kazakhstan the figure is 46% after deduction of basic pension payments – 37% and 29.9% respectively of the average nominal wage (Figure 4).

Nowadays FPS for each depositor provides the possibility of obtaining a higher pension. Thanks to the differentiation of contributions FPC gives this opportunity. For comparison the average pension of solidarity pension system in 2011 amounted to 35,950 Tenge, while from the funded more than 68,000 Tenge for women and more than 89,000 Tenge for men. Surely this is an incentive for employees to accrue the officially shown salaries. It is important that the system gives a choice between pension funds and investment strategies: aggressive or conservative depending on the depositor's relations to money. In the country this system of multi-portfolios began to work in January 2012; by 2015 it will be released in full mode. On January 1, 2013 in Kazakhstan there comprised 11 pension funds, which have 79 branches and 51 representative offices in the regions. During the analyzed period the number of pension funds decreased by 5 units. Reducing of the number of pension funds is observed since 2011, because the global financial crisis has had a negative effect on the financial system of Kazakhstan including funded pension system. On January 1, 2013 pension savings of depositors (payee) were 3,183.2 billion Tenge or increased to 2,913.4 billion Tenge in comparison with January 1, 2002, i.e. by 11.8 times; their dynamics are in Table 3. Table 3 shows that under the absolute increase in pension savings there observed annual decline in their growth rates. However on January 1, 2006 the rate of growth of pension savings has increased by 2.6 percentage points and was 34.0%, as well as on January 1, 2007 the rate of growth of pension savings has increased by 6.3 percentage points and it was 40.3%. Pension savings are money of a depositor (payee) that are in his individual pension account including mandatory pension contributions, voluntary pension contributions and voluntary occupational pension contributions and investment income. In this regard there should be analyzed the state of pension contributions.

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Table 3

The dynamics of pension savings

Date	Pension savings, milliard Tenge	The growth for the year, milliard Tenge	The growth rate of pension savings, %
01.01.2003	269,8	87,4	47,9
01.01.2004	368,3	98,5	36,5
01.01.2005	484,0	115,7	31,4
01.01.2006	648,6	164,6	34,0
01.01.2007	909,7	261,1	40,3
01.01.2008	1 208,1	298,4	32,8
01.01.2009	1420,5	212,4	17,6
01.01.2010	1860,5	440,0	31,0
01.01.2011	2258,2	397,7	21,4
01.01.2012	2651,4	393,2	17,4
01.01.2013	3183,2	531,8	20,0

*Source – the data of Financial Supervision Committee of the National Bank of RK*

Table 4

The dynamics of pension contributions

Date	Pension contributions, milliard Tenge	The growth for the year, milliard Tenge	The growth rate of pension savings, %
01.01.2003	196	63	42,5
01.01.2004	276	80	40,8
01.01.2005	380	104	37,8
01.01.2006	512	164,6	34,7
01.01.2007	684	261,1	33,6
01.01.2008	912	228	33,3
01.01.2009	1185	273	29,9
01.01.2010	1489	304	25,7
01.01.2011	1822	333	22,4
01.01.2012	2004	182	9,9
01.01.2013	2470	466	23,3

*Source – the data of Financial Supervision Committee of the National Bank of RK*

Table 4 shows that on January 1, 2013 pension contributions were 2,470 billion Tenge or increased to 2,274 billion Tenge in comparison with January 1, 2002, i.e. by 12.6 times. At the absolute growth of pension savings there observed annual decline in their growth rates. On January 1, 2012 the growth rate of pension contributions fell by 12.5 percentage points and was only 9.9%. The total amount of pension savings by the end of 2011 increased primarily due to a planned increase of the amount of required pension contributions, which is 10% of the monthly income of the depositor. Thus, the total inflow of pension contributions into the fund has increased to 182.0 billion Tenge (10.0%) in 2011 and on January 1, 2012 amounted to 2,003.7 billion Tenge. However there is a reduction in the rate of growth of pension contributions (Table 4). During 2011 there was a reduction of "pure" income (after deduction of commissions) from the investment of pension assets by 2.9%, or 16.3 billion Tenge, which on January 1, 2012 amounted to 555.1 billion Tenge. During 2012 there was an increase in

"pure" income (after deduction of commissions) from the investment of pension assets by 20.2% or 112.3 billion Tenge, which on January 1, 2013 amounted to 667.4 billion Tenge. The dynamics of growth of pension assets and pure investment income for the last 10 years were characterized by the data.

The pension assets include cash, securities and other financial instruments held for securing and implementation of the pension payments and transfers as well as withdrawals from funded pension funds. Figure 5 shows that for the period under review pension assets increased by 2,919.9 billion Tenge, i.e. by 11.6 times.

Figure 5 shows the dynamics of growth of pension savings and the proportion of "pure" investment income in the total amount of pension savings.

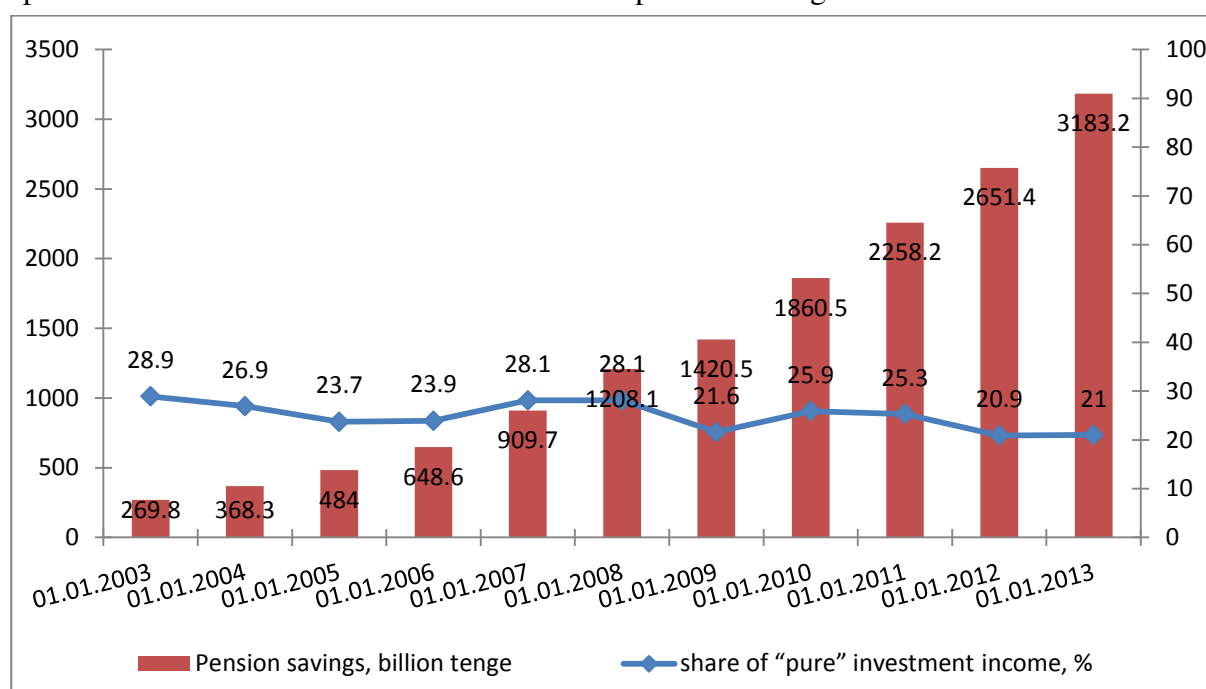


Figure 5: The dynamics of growth of pension savings and the proportion of "pure" investment income in the total amount of pension savings, Compiled by authors

The largest average amount of pension savings for one contributor of mandatory pension contributions is belonged to men at the age of 41 – 587.8 thousand Tenge and women aged 57 – 471.7 thousand Tenge. In 2012 there is a decrease of the amount of the fine for the late transfer of mandatory pension contributions, untimely transfer of pension savings and for the improper management of pension assets (Figure 5). Thus, on 1 January, 2013 income in the form of fines and penalties amounted to 12.4 billion Tenge; an increase compared with January 1, 2012 to 0.3 billion Tenge (2.4%). In 2012 fine and penalties for the late transfer of mandatory pension contributions amounted to 1.2 billion Tenge, for the untimely transfers of pension savings – 0.9 million Tenge. On January, 1<sup>st</sup>, 2012 the largest amount of pension savings had 4 funds: "National Bank of Kazakhstan" – 877.5 billion Tenge (33.1%), "State Funded Pension Fund" – 478.3 billion Tenge (18.0%), "Ular Umit" – 413.1 billion Tenge (15.6%) and "Grantum" – 243.2 (9.2%) of the total amount of pension savings funds, in other words, these four funds collectively held 75.9% all pension savings.

In 2011 pension savings were transferred to the insurance companies under pension annuity contracts 11062 for the payees and amounted 18.2 billion Tenge in total. In 2012 pension savings were transferred to the insurance companies under pension annuity contracts 16891 for the payees and amounted 30.2 billion Tenge in total. As for January 1<sup>st</sup>, 2013 the total amount of pension assets in the investment manager of pension assets amounted to 3,188.3 billion Tenge. In 2012 the amount of pension assets increased by 536.0 billion Tenge or 20.2%.

Average increase in pension assets in 2012 amounted to 44.7 billion Tenge with 32.7

billion Tenge in 2011 or increased by 36.7%. Total investment portfolio of PSF on January, 1<sup>st</sup>, 2013 amounted to 3,129.4 billion Tenge increasing compared with January 1<sup>st</sup>, 2012 by 583.2 billion Tenge or 22.9%.

Table 5

The structure of the investment portfolio of FPS in 2009-2012

Financial Instruments	1.01.09	1.01.10	1.01.11	1.01.12	1.01.13
Government securities of the Republic of Kazakhstan	30,0	40,7	44,3	45,3	50,5
Non-government securities of the Republic of Kazakhstan	46,0	36,0	33,5	28,4	25,9
Government securities of foreign issuers	1,0	0,1	1,4	5,0	2,1
Non-government securities of foreign issuers	10,0	12,0	8,2	5,7	5,1
Contributions in the second-tier banks	8,0	5,0	7,8	7,0	10,4
Other financial instruments (derivatives, AFF gold, IAS securities)	5,0	6,2	4,8	8,6	6,0
Total	100,0	100,0	100,0	100,0	100,0
<i>Source – the data of Financial Supervision Committee of the National Bank of RK</i>					

In Table 5 the structure of the investment portfolio of pension saving funds there were no significant changes. Still the government securities of RK hold the bulk of the investment portfolio is 50.5% and corporate bonds of issuers of RK – 26.0% of total invested pension assets, contributions in the second-tier banks are 10.4%, non-government securities of foreign issuers are 5.1% of the total investment (Table 5).

Thus, the structure of the investment portfolio shows that currently funded system is not very different from the solidarity system; the main part of the money is still sent to the state. In Chile there was involved a mechanism of multi-portfolio, i.e. there are five types of portfolios: a, b, c, d, e (from the most risky "a" to the most conservative "e"), but in 2008 the loss on the portfolio of "a" was 40%.

The dynamics in relative indicators that characterize the role of the pension sector in the republic economy is presented in Table 6.

Table 6

The role of the pension sector in the economy of the Republic

Date	GDP, billion Tenge	The ratio of pension savings to GDP, %	The ratio of pension contributions to GDP, %	The ratio of pension assets to GDP, %	The ratio of "pure" investment income to GDP, %
01.01.2003	3776,4	7,0	5,2	7,1	2,1
01.01.2004	4612,2	7,1	5,9	7,9	2,1
01.01.2005	5870,1	8,2	6,5	8,2	1,9
01.01.2006	7453,0	8,7	6,9	8,7	2,1
01.01.2007	10139,5	9,0	6,7	9,0	2,5
01.01.2008	12849,8	9,4	7,1	9,4	2,6
01.01.2009	16052,9	8,8	7,4	8,8	1,9
01.01.2010	17007,6	10,9	8,8	10,9	2,8
01.01.2011	21815,5	10,4	8,4	10,4	2,6
01.01.2012	26310,2	10,1	7,6	10,1	2,1
01.01.2013	30220	10,5	8,2	10,5	2,2
<i>Source – compiled with data of the Statistics Agency of Kazakhstan</i>					

The pension savings in GDP by January, 1<sup>st</sup>, 2013 make up a small proportion – just 10.5% and for the period under review they increased by 3.5 percentage points. The share of pension assets in Chile's GDP was 58% and in 2007 it reached 65%, and then decreased to 53% and gradually increased to 58%. There are also indicators that inspire fear: the number of pensioners and the rate of an average monthly pension. The number of pensioners at first fell

and then again began to grow. If this growth continues the PSF will be forced to divert more funds for the payment of pensions. This may cause problems.

**Recommendations to improve the reform of the pension system:** The ratio of "profitability – risk" is the main factor in the analysis of the composition and structure of the financial institutions assets. In order to successfully combine the different types of financial assets it is necessary to clearly understand the idea of portfolio management. Input characteristics of the portfolio are the risk and profitability of certain financial instruments, while the output characteristics of the portfolio are a combination of indicators of risk and return portfolio as a whole. The modern portfolio theory suggests the use of different statistical techniques for efficient portfolio [7]. These methods allow the calculation of a set of assets unified by the common goal of providing the highest portfolio return for a given level of risk or the lowest risk for a given level of profitability of the portfolio. As a rule the main task of financial institutions is to create an effective portfolio that would provide the highest return for a given level of risk (or a minimum level of risk for a given level of return of the portfolio).

Markowitz model [8] requires the construction of the portfolio, in which there is taken into account the overall risk of the covariance of each pair of potential assets. The income of the portfolio is a weighted average cost of revenues for individual investments [9]. Formally, this statement is written as (1):

$$R_p = \sum_{i=1}^n W_i r_i, \quad (1)$$

Where  $W_i$  is weight (share)  $i$ -ro asset,  $r_i$  is level of income for  $i$  asset.

However the average standard deviation of the income on the portfolio is not equal to the value-weighted average of the standard deviations of the individual assets since it is necessary to take into account the covariance of each pair of assets. In general, the dispersion of the portfolio is calculated as (2):

$$z = \sum_{i=1}^n \sum_{j=1}^n \text{cov}_{ij} W_i W_j \quad (2)$$

Where  $z$  is dispersion of the portfolio,  $\text{cov}_{ij}$  is covariance of income from activities  $i$  and  $j$ .

In general the factor of covariance has a significant impact on the effectiveness of diversification: a strong positive correlation significantly reduces and a negative correlation on the contrary increases the effectiveness of portfolio diversification.

The problem of optimizing the structure of an asset is to determine a share of each asset in the set so as to obtain efficient set (portfolio) of assets.

In the formulas (1) and (2) the stability of the income of the portfolio depends not only on the soundness of individual assets and their degree of covariance: the key role played by the size (or share) of each of the assets in their total volume. Therefore taking into account these circumstances is necessary to optimize the structure of assets with a view to find the most preferred combinations in terms of "income – stability".

In general this model allows pension funds to be fully operational in the stock market and make optimal portfolio for its financial instruments.

## DISCUSSION AND CONCLUSIONS

According to the above analysis it can be noted that the pension system in Kazakhstan is actively developed, but some aspects require further development of the remodel.

In order to solve the problem of complete coverage and participation in self-employment pension system is planned to adopt the following measures:

- taking into account the ongoing measures to clarify the status of self-employed and engage them in productive employment (within the framework of Employment 2020) there will be introduced the obligation to participate in the pension system for citizens, who have received the status of self-employed;

- Since 2017 there is expected to change the order of contribution: the self-employed citizens will have to declare all their income and pay pension contributions on that amount;

- There will be change the system of minimum guarantees. The basic pension benefit will be provided to the self-employed citizens, who have reached retirement age and who are members of FPS for at least 5 years. For pensioners the will be continued the current procedure for pension increase with the advance of inflation of 2%.

Based on the study of foreign experience of the pension system organization in order to improve the pension system in Kazakhstan we offer the following activities:

1. Improvement of the prudential regulation and development of public-private partnerships.

2. Cancellation or reduction of the tax rate on the pension savings payment, discounts on income tax with insufficient pension savings, redirection of the tax on the formation of the adequacy of pension savings.

3. Revision of the methodology lump-sum payments of PSF and life insurance companies.

4. Increasing the responsibility of the employer for the untimely transfer of mandatory pension contributions.

5. Creation of an actuarial center at the National Bank of RK.

6. Differentiation of demo grant for the different segments of the population.

7. Introduction of hybrid pension model that combines solidarity and funded levels.

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# ANALYSIS OF THE DYNAMICS OF DIRECT FOREIGN INVESTMENTS INTO UKRAINIAN ECONOMY

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**Abstract:** *World experience proves that during a transition period foreign investments become an important factor of economic stability for a certain time, and if used efficiently they become one of the economic growth factors. Effective attraction and usage of foreign investments provides the rise in production effectiveness and competitive strength of the domestic products due to introduction of modern technologies and use of progressive experience of management of other countries of the world. Under the present conditions of economic development Ukraine cannot provide effective activities of export-capable businesses without involvement of foreign capital; therefore the research of dynamics of foreign direct investments into Ukrainian economy and identification of ways to improve the investment climate is urgent. The article analyses the dynamics of foreign direct investment into Ukraine, research of foreign investments geography and trends of their usage by sectors of economic activity. Necessity to create more favorable investment climate in order to facilitate foreign direct investments into the country has been demonstrated. Reasons for low investment activity of foreign investors have been considered. Ways of efficient usage of foreign direct investments into Ukraine have been substantiated on the basis of research and generalization of foreign direct foreign investments in Ukrainian economy.*

**Keywords:** *analysis, competitive strength, investment climate, foreign direct investments, risks for investors*

## KEY ISSUES OF THE RESEARCH

Foreign direct investment (hereinafter FDI) are of great importance for the economy of the country receiving them. On the one hand, due to the production and scientific & technical cooperation FDI ensure effective integration of national economy into the world one. On the other hand, FDI are a source of capital investment, in the form of modern production, to be more exact. Furthermore, FDI encourage domestic businessmen to use advanced business experience; they facilitate the spread of innovation, increasing of work productivity and improvement of living standards. The aim of the study is an analysis of dynamics of foreign direct investments into Ukrainian economy and identification of ways to improve the investment climate in the country. Meanwhile, the tasks are as follows:

- to analyze geographical aspects of foreign investments and tendencies of their usage by areas of economic activity in Ukraine;
- to consider reasons for low investment activity of foreign investors;
- To identify the major aspects of investment climate improvements in the country and to suggest specific ways of investment attraction from abroad.

The following methods were used in the course of research: analysis to identify current state and inflow factors of foreign direct investments into Ukraine; synthesis to identify reasons for a minor flow of foreign investments in the country; induction and deduction to study factors that influence the dynamics of foreign direct investments into Ukraine, comparison to analyze dynamics and structure of foreign direct investments into Ukraine and others.

## ANALYSIS OF THE LATEST RESEARCH AND PUBLICATIONS

National and foreign scientists such as F.A. Vazhinsky, I.P. Haydutskiy, N.V. Datsiy, A. Peresada, P. Bakley, J. Dunning, M. Caisson, K. Kodzima, R. Coase, T. Ozava and others

investigate the ways of effective attraction of foreign direct investments. However, constant changes in the economic environment of Ukraine and throughout the world call for new approaches to investment climate improvement and require substantiation of specific ways of attraction of foreign investments into the country.

The direct foreign investments into Ukrainian economy account for less than 1% of the global investments flow [1]. A moderate flow of FDI can be explained by the fact that most European post-socialist countries consider Ukraine one of the high-risk countries. Foreign investors consider the following major obstacles: corruption in business activity organization, faulty tax regulations, government bureaucracy, restrictive labor law regulations (foreign investors are not satisfied with the applicable labor law regulations, they are concerned about a small number of trade unions and other representative bodies), inflation, political instability, poor infrastructure, undeveloped labor ethics of the national workforce, lack of innovative capacity, insufficiently educated workforce, and the like. According to the European Business Research Center the risk investment in Ukraine makes 80% [2], which hinders efficient investment into the country.

The risks for investors are increased because of political instability and worse business conditions, as compared to other countries. Ukraine is almost at the end of country ranking according to business climate assessment (World Bank's Doing Business Report), it dropped to 145th position in 2012, but in 2013 it gained 140 points again, and experts of the World Bank and International Financial Corporation predict that in 2014 Ukraine should climb 112th position according to business climate assessment [3]. Thus, based on the economic processes taking place in Ukraine, improvements of business conditions formation is predicted, however considering the fact that 189 countries participate in the rating of the World Bank and International Financial Corporation, the 112 position indicates very unfavorable investment climate in the country. In 2013 the situation changed, according to the rating of national economies competitiveness of the World Economic Forum Ukraine took the 73rd position, which means that the competitiveness of the country has increased by 9 points compared to last year figures and by 16 points compared to 2011 year figures (in 2011-2012 Ukraine's rating was 82 points, and in 2010-2011 it was 89 points), so for the last two years there has been a positive trend in Ukraine's competitiveness rating (Table 1) [4].

Table 1

Changes of Ukrainian position in the ranking of economies competitiveness according the World Economic Forum), Source: [5]

Year	Position in the international rating according to competitiveness growth index	Position in the international rating according to global competitiveness index
2001	the 69th position among 75 countries	
2002	the 77th position among 80 countries	
2003	the 84th position among 102 countries	
2004	the 86th position among 104 countries	
2005	the 84th position among 117 countries	
2006		the 78th position among 125 countries
2007		the 73rd position among 131 countries
2008		the 72nd position among 134 countries
2009		the 82nd position among 133 countries
2010		the 82nd position among 139 countries
2011		the 82nd position among 142 countries
2012		the 73rd position among 144 countries

Evaluation and analysis of the investment dynamics in Ukraine indirectly characterizes the investment climate and provides opportunities for investors to draw conclusions about the effectiveness of government measures to improve it. As of 01.01.2012, the cumulative amount of investment into Ukrainian economy made 52.0 billion US dollars, which totals to 1.1 thousand USD on the per capita basis, making 11.1% increases over the year. However,



this level is far and away lower than in neighboring countries (for example, at the end of 2012 in Russia - 1.5 thousand US dollars per person in Poland - 4.3 thousand US dollars per person in Czech Republic - 11,15 thousand USD per person). [1] In the first half of 2012 foreign investors made 1,782,800,000 US dollars of direct investments, that account for 66.0% of revenues of the first half of last year. Thus, in the period from 1995 to 2012 foreign direct investments into Ukraine increased by 3715.1 million USD, which makes almost 10 times (Table 2).

Table 2

Direct investments into Ukraine in 1995-2012, Source: [6]

Years	Million USD	in % of the respective period of the past year
1995	413.4	85.5
2000	593.2	125.9
2005	7843.1	348.2
2006	4717.3	60.1
2007	7935.4	168.2
2008	6073.7	76.5
2009	4436.6	73.0
2010	4753	107.1
2011	5527.9	116.3
2012	4128.5	74.7

While the biggest investment growth was observed in 2005, when they increased by 348.2% compared to 2004 figures, such increase hasn't been observed for more than 20 years of Ukraine's independence; it was caused by: privatization of giant metallurgical plant "Krivorizhstal" worth approximately 4.3 billion US Dollars by "Mittal Steel Germany GmbH" in October 2005 and sale of Aval Bank to Austrian "Raiffeisenbank" amounting to 1.03 billion US dollars. However, in subsequent years, the growth rate of foreign investment significantly decreased, though being positive.

Funds are invested into Ukrainian economy either by firms that expect to gain quick profits; or outsiders that did not survive the competition in the country; or by companies that launder dirty capital (offshore entities with Ukrainian capital). The major types of economic activities invested by foreign capital are presented in Table. 3.

Thus, the majority of foreign investments are channeled to the field of finance and insurance (26.9%), this is due to the fact that, on the one hand, this area of economic activity is undeveloped and characterized by availability of free market niches to take, and on the other hand, it guarantees a quick profit. This is also due to the fact that a large number of insurance companies available on the market are either subsidiaries or branches of foreign companies (for example, insurance companies AXA Ukraine, HDI, Heinemann Versicherungsmakler, AIG, PZU, Allianz Group and others). Other types of economic activities in Ukraine invested by foreign capital, which are processing industry, wholesale and retail trade, metallurgy, manufacture of finished hardware, apart from providing a quick profit for investors, are also characterized by low-cost resources (labor, raw materials, etc.). At the same time, investments into engineering industry, which is a key indicator of the country development, account for only 1.9% of all foreign investments that total to 1069.2 million US Dollars. Besides, there are no major investments into agricultural sector, which is a priority industry.

Analysis of the geographical structure of foreign investment shows that in 2013 investment in Ukraine came from 106 countries of the world. Almost half of the overall amount of investment belongs to investors from three countries: Cyprus (32.4%), Germany (11.1%) and Netherlands (9.7%). The ten largest investors into the Ukrainian economy also include: Russian Federation (6.9%), Austria (5.5%), France (3.3%), United Kingdom (4.9%), Switzerland (2.1%), Virgin Islands (British) (4.4%) and the USA (1.6%), see table 4. Over the

past five years, there were no considerable changes in the geographical structure of foreign direct investment, in 2013, similar to 2009; the largest share of investment came from Cyprus and Germany, although there was a 6.85% decrease in the share of German investments observed over the past five years. Furthermore, there was a reduction of share of capital from Austria (by 1.06%), France (by 0.16%), the UK (by 1.42%), and the USA (by 2.51%). While the proportion of Cypriot investments was increased by 10.93% during 2009-2013, share of investment from the following countries also slightly increased: Netherlands (by 0.72%), Russia (by 1.71%), Switzerland (by 0.08%) and Virgin Islands (by 0.63%).

Table 3

Major types of economic activity, which are recipients of foreign direct investments in the Ukrainian economy, Source: [6]

Types of economic activity	Amount of investments on 01.07.2013	
	million USD	in % of total value
Financial and insurance activity	14880.7	26.9
Processing industry	14291.4	25.8
Wholesale and retail trade, repair of transport means	6689.7	12.1
Metallurgical production, production of finished hardware, except of production of machines and equipment	6178.9	11.2

Germany is the largest investor into Ukrainian industry with a share amounting to 5,397,313.6 thousand USD (30.8% of all investments in the sector) and Cyprus with 44,919,236.8 thousand USD (28.1% of all investments in the sector), Netherlands and Czech Republic invest into the mining industry and development of open-pit mines with a share amounting to 13.3% and 13.5%, respectively. Thus, in the period of 2009-2013 Cyprus takes the first place in terms of bulk of accumulated foreign direct investment in Ukraine. But in fact, this is just an original Ukrainian capital that was taken from the country by various ways and then returned with a changed status of foreign investments being protected by the relevant investment laws. This is confirmed by the fact that the bulk of the investment came from Ukraine to Cyprus. Germany has the second largest share of investments into Ukraine. Regarding the fact that Germany is one of the largest European investors, 1% of investments only are too little for Ukraine, which is one of the largest countries in Europe. For instance, Germany invested 12 billion US Dollars into Hungary, which is in terms of population 5 times smaller than Ukraine [7, p. 50].

In taking their decisions, foreign investors are primarily guided by the expectations of political changes in the country associated with the presidential or parliamentary elections (political uncertainty in Ukraine impedes the economic development of the country). In a developed market economy, risks associated with investment activities are of an economic nature. In Ukraine light, chemical and mechanical engineering industries are the least attractive for investors, as investments into these sectors are associated with significant risk and uncertainty in gaining profit. The share of agricultural sector is still insignificant in the structure of FDI due to significant government intervention in the development of this industry. It should be noted that national peculiarities of investment and innovation processes are tangible in Ukraine. Problem of encouragement of investment and innovation activity is being restructured and consists not so much in quality and effective usage of obtained investments rather than in increasing their volume. A key principle of the investment policy becomes a combination of investments and innovations: investments are effectively realized only under conditions of introduction of scientific and technological achievements, while innovative development requires large-scale investment support. The national interest requires that domestic and foreign investors create new enterprises, especially high-tech and science-intensive, import-substituting and export-capable ones [8, p. 9-11]. A national modernization

strategic Plan by 2020 has been developed for the medium- and long-term perspective in Ukraine. Its main areas are arranged so as to respond to every challenge that is or may be facing by Ukraine including such as uncertainty of the global economic system as a whole and its individual elements on the basis of increased competition in the strategic investment areas (financial, human, energy, food). Nowadays national economies are competing among themselves for foreign investments, competing by means of making the investment climate more attractive, creating the most favorable environment for investors, leveling differences in regional development and standards of living creating the country's international image.

For the time being, scientific study and identification of investment priority areas are important for Ukraine. The state should identify the most promising areas and projects for investment that meet the interests of the national economy and, at the same time, facilitate more rapid overcoming the economic crisis, establishment of a stabilization conditions, and make the most of investment resources for their development. Ukraine is one of the CIS countries, which (after Russia and Kazakhstan) is the most investment-attractive for foreign investors over a wide range of indicators. V.S. Marcin provides quite comprehensive list of investment benefits of Ukraine: favorable geographical location, abundant natural and recreational resources, skilled labor force and its surplus, unsaturated market of goods and unsatisfied consumer demand, low competitiveness of local producers and low levels of their innovation; in saturation of economy [7, p. 48].

Still, the investment climate in Ukraine needs substantial improvement and influence on the side of the state. According to international and domestic experts, a significant liberalization of fiscal regimes is required, which, though, should not to be confused with provision of benefits. According to the World Bank, Ukraine ranks 128th position out of 175 in terms of tax favorability for business, giving place to all the countries of Central and Eastern Europe and most of the CIS countries [9]. Ukrainian tax system is one of the most cumbersome, most complex, with huge tax burdens. Therefore, even subject to a substantial loosening of the tax system, there are no reasons to regard these changes as creation of preferential treatment for foreign investors. It is necessary to contribute to the overall reduction of the tax burden and simplification of tax procedures, which will be useful not only for foreign investors but also for domestic enterprises, as it will promote innovation.

It is important to strengthen the regulatory role of the state on the investment market. On the other hand, despite the global trend towards liberalization, local legislation, even in countries that are the most open for FDI, still have provision that allow for state admission control and control of foreign investors into the country economy. At the same time, UNO experts believe "that most of the countries should first present themselves as favorable place for investment projects, i.e. mark themselves on the imaginary world map used by international investors" [10, p. 182].

As one can see, attracting large-scale external investment resources and the formation of an efficient economy in Ukraine implies a necessary substantial transformation of economic, political and social factors of the investment climate in Ukraine towards their liberalization. In this connection, inconsistency and, therefore, unpredictable legal principles of foreign investment cause serious criticism from both scientists and direct foreign investors. Since independence of Ukraine, investment conditions for non-residents have repeatedly changed: Law of Ukraine "On Foreign Investments" (dated March 13, 1992.); Decree of the Cabinet of Ministers of Ukraine № 55-93 "On foreign investments" (dated May 20, 1993); Law of Ukraine "On the State program to encourage foreign investment in Ukraine" (dated December 17, 1993); Law of Ukraine "On Corporate Income Tax" (dated 1 January 2013); Law of Ukraine "On Foreign Investment Regime" (dated March 19, 1996).

One can see that legal sphere is unfinished and unadjusted. Often a new law abolishes or invalidates the previous one; legislation created by various government agencies, are partially overlapping; key government branches act without coordination. Permanent change of the law and making adjustments to it are underway, which leads to the destabilization in

the economy and finance and causes damage to businesses. In general, there is a manipulation of the legal framework, which is not recognized by the civilized market.

Table 4

Foreign direct investments in the Ukrainian economy by source countries, million USD

Investing country	2009	2010		2011		2012		2013		Deviation 2013/ 2009	
	million USD	million USD	Growth rate 2010/ 2009	million USD	Growth rate 2011/ 2010	million USD	Growth rate 2012/ 2011	million USD	Growth rate 2013/ 2012	absolute value, million USD	%
Cyprus	7646,2	9005,3	17,8	9914,6	10,1	17636,3	77,9	17928,5	1,7	10282,3	134,5
% in the structure	21,47	22,48	4,7	22,18	-1,3	32	44,3	32,4	1,3	10,93	50,9
Germany	6393	6601,9	3,3	7076,9	7,2	6128,6	-13,4	6165,3	0,6	-227,7	-3,6
% in the structure	17,95	16,48	-8,2	15,83	-3,9	11,1	-29,9	11,1	0	-6,85	-38,2
Holland	3197,4	3954,5	23,7	4707,8	19,1	5197,1	10,4	5376,1	3,4	2178,7	68,1
% in the structure	8,98	9,87	9,9	10,53	6,7	9,4	-10,7	9,7	3,2	0,72	8
Russia	1847,2	2566,4	38,9	3402,8	32,6	3784,4	11,2	38222,7	910	36375,5	1969,2
% in the structure	5,19	6,41	23,5	7,61	18,7	6,9	-9,3	6,9	0	1,71	33
Austria	2443,8	2443,8	0	2658,2	8,8	3403,7	28,1	3196,3	-6,1	752,5	30,8
% in the structure	6,86	6,1	-11,1	5,95	-2,5	6,2	4,2	5,8	-6,5	-1,06	-15,5
France	1231,2	1630,8	32,5	2367,1	45,2	1765,4	-25,4	1808,4	2,4	577,2	46,9
% in the structure	3,46	4,07	17,6	5,29	30	3,2	-39,5	3,3	3,1	-0,16	-4,6
Great Britain	2249,8	2307	2,5	2298,8	-0,4	2544,1	10,7	2697,2	6	447,4	19,9
% in the structure	6,32	5,76	-8,9	5,14	-10,8	4,6	-10,5	4,9	6,5	-1,42	-22,5
Swiss	718	796,4	10,9	859,4	7,9	1105,8	28,7	1183,1	7	465,1	64,8
% in the structure	2,02	1,99	-1,5	1,92	-3,5	2	4,2	2,1	5	0,08	4
Virgin Islands	1342,7	1342,7	0	1460,8	8,8	2008,7	37,5	2418,4	20,4	1075,7	80,1
% in the structure	3,77	3,35	-11,1	3,27	-2,4	3,6	10,1	4,4	22,2	0,63	16,7
USA	1464,6	1309,1	-10,6	1192,4	-8,9	920	-22,8	895,4	-2,7	-569,2	-38,9
% in the structure	4,11	3,27	-20,4	2,67	-22,5	1,7	-36,3	1,6	-5,9	-2,51	-61

To achieve these goals and improve the investment climate in Ukraine first of all it is necessary to create a free trade zone with the European Union and provide conditions for the resumption of active work with the International Monetary Fund, which will enable fast creation of new jobs in the light industry, improve infrastructure (roads, pipelines, bridges, highways and railways) in the western part of Ukraine. In its turn, this will increase the attractiveness of Ukraine for foreign investors and increase amount of foreign direct investments, which will result in improved balance of payments of the country. Since only the capital and financial account balance at the end of 2013 were closed with surplus.

Secondly, reduction of red-tape in economic activity (simplification of registration, certification, licensing and other procedures) is to guarantee the simplification of customs procedures and adapt legislation to the international community regulations.

Thirdly, (introduction of the e-systems of registration of companies with foreign capital and minimization of human error in processing documents) are to ensure the increase of legal protection of investors' rights and interests and fight corruption.

Fourthly, reduction of tax level and tax burden (especially for investors who invest capital in engineering and other export-capable sectors of the economy) is of paramount importance.

Fifthly, it is substantial to keep friendly relations with Russian Federation, which will ensure maintaining or even increasing trade volume between the two countries and lead to strengthening the position of co-operating companies in both countries and will result in the preservation of existing jobs in the eastern part of the country (for collaborative enterprises such as Azovmash and others).

Sixthly, relationships with ASEAN countries take priority, since countries of the Asia-Pacific region are becoming "locomotive" for global economic development and gain considerable weight in global politics. In December 2013 documents were signed in China with regard to investment of the People's Republic of China into strategic areas of the Ukrainian economy: to the development of agricultural sector with further export of production of this industry to China (supplies of Ukrainian products to China can compensate for losses due to discriminatory policies in the Russian market) and the construction of a super-power port on the Black Sea [11]. This will allow Ukraine to turn its status of the main trade artery connecting Europe and Asia.

## DISCUSSION AND CONCLUSIONS

Attraction of foreign capital into Ukraine in the form of direct investment is a prerequisite for entering the national economy into the world economy, accelerating its industrial and innovation development, helping to bring its production and socio-economic infrastructure to global standards, making it one of the most pressing problems of today. A mismatch of foreign direct investment and the needs of the economy are typical for Ukraine. The largest part of foreign investment is channeled to areas that are characterized by free market niches to take, which guarantees a quick profit. However, reanimation of economy in Ukraine is impossible without filling the production with real capital, which is why the state must improve the investment climate and create all the conditions for investing into those sectors of the economy, which form competitiveness of the country on the global market.

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# LES PROBLEMES METHODIQUES DE L'EVALUATION DU POTENTIEL INTELLECTUEL DE L'ENTREPRISE

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**Abstract:** *L'article résume la pensée économique disponible dans les approches scientifiques d'évaluation du potentiel intellectuel. L'objet et les particularités de l'application de chacune des approches ont été décrits. Le problème majeur de l'utilisation des approches retenues et la nécessité de développer une nouvelle approche de l'évaluation des entreprises du potentiel intellectuel sont également présentes ainsi que les problèmes non résolus existants dans son diagnostic.*

**Mots clés:** *approche, une méthode, l'évaluation, des problèmes de l'évaluation, le potentiel intellectuel de l'entreprise*

## INTRODUCTION

Dans les conditions contemporaines de l'activité économique, basée sur les innovations, menée par sa propre capacité intellectuelle est une étape essentielle dans sa gestion efficace. Au cours des dernières décennies l'étude comportant l'évaluation de la capacité intellectuelle est décrite dans les travaux de nombreux scientifiques européens, dont le principal est: en Europe occidentale A. Brooking, C-H. Nilsson, A. Pulic, S. Tessier et A. Roger, en Ukraine I. Moyseenko, A. Kendyukhov, V. Petrenko, V. Volikov, S. Hrytsulenko etc; en Russie V. Bondarenko, V. Levashov, A. Kapterev etc. La diversité d'approches et de techniques existantes qui détermine la pertinence de leur analyse et les comparaisons, aide à identifier les éventuelles lacunes et les questions qui sont considérées comme travail sans réponse. C'est un objet de recherches de l'auteur dans cet article, et les résultats seront la base pour le développement ultérieur de sa propre méthode scientifiquement solide et pratique appropriée d'évaluer le potentiel intellectuel de l'entreprise en tant qu'opérateur économique.

## MATÉRIEL ET MÉTHODES

Les méthodes scientifiques utilisées lors de cette étude est de comparer, d'analyser et de synthétiser les faits, outre cela on utilise l'induction, la déduction, la généralisation. Les matériaux examinés sont présentes dans des travaux scientifiques sur le sujet [1-8].

## RESULTATS

La contradiction et la diversité des points de vue scientifiques sur l'évaluation du potentiel intellectuel est associée principalement à la sphère spécifique de l'activité intellectuelle, qui ne trouve pas toujours son expression matérielle comme une entrée dans la forme de ressources et dans le processus de mise en œuvre des résultats. La période d'étude relativement courte du potentiel intellectuel génère une certaine abstraction et de la subjectivité dans la compréhension de sa nature, ses composantes et les méthodes d'analyse. L'étude de l'évolution scientifique des auteurs ci-dessus et d'autres chercheurs a permis de résumer les approches existantes pour mesurer le potentiel intellectuel. Il est à noter qu'il est important de distinguer le concept de l'approche et de la méthode. L'approche peut être comprise comme une base idéologique pour une position de recherche adoptée dans le sens de quelque chose qui est détaillé existant en son sein des méthodes spécifiques. On peut ainsi généraliser les approches existantes qui sont utilisés pour évaluer le potentiel intellectuel: l'approche de recherche et d'éducation; l'approche probabiliste; l'approche de la gestion; l'approche du côté du capital intellectuel.

La démarche de recherche et d'éducation se réduit à déterminer le nombre, les qualifications et les caractéristiques de motivation des travailleurs ainsi que les activités

professionnelles, de recherche et d'innovation des entreprises du personnel (coûts effectifs, les recettes et les approches d'identification). L'un des premiers chercheurs dans la sphère intellectuelle et des représentants de cette approche A. Brooking analyse le potentiel intellectuel de la position des caractéristiques personnelles des travailleurs, tels que l'éducation et les compétences nécessaires pour travailler, les connaissances et les compétences, les intérêts professionnels et les caractéristiques psychométriques [7]. Le chercheur croate A. Pulic [5] note que les principaux composants de l'ère de l'économie de la connaissance, la création de valeur ajoutée pour l'entreprise et l'économie en général est le capital physique et le potentiel intellectuel. En même temps, on souligne la priorité de la deuxième partie. La croissance de la valeur ajoutée par même capacité intellectuelle (Vaip) exprime par le rapport: ups divisés par la valeur ajoutée du potentiel intellectuel. Une capacité intellectuelle de valeur est considérée comme la valeur de l'argent dépensé sur les employés comme principaux médias. C'est à dire, on montre combien d'argent de la valeur créée tombe par une unité de l'argent dépensé par un employé.

Une approche probabiliste est développée dans son travail par D. Glotova [1], qui consiste à calculer la probabilité du potentiel intellectuel de l'entreprise, en fonction des trois éléments suivants: la probabilité que l'employé possède, les connaissances, les compétences, l'expérience, les caractéristiques professionnelles, la probabilité de l'actionnariat du salarié bénéfique pour la société, ses qualités personnelles, la probabilité d'un impact favorable sur le potentiel intellectuel de la culture d'entreprise, la structure de gestion, la technologie etc. Pour chacune des trois composantes on offre un ensemble spécifique de paramètres, le produit qui exprime son importance quantitative.

C-H. Nilsson et D. Ford [4] ont suivi dans l'analyse du potentiel intellectuel de l'entreprise l'approche de la gestion. En outre, les auteurs insistent sur la nécessité d'évaluer le potentiel de ce dans le contexte de perspectives d'avenir pour l'entreprise. Le potentiel intellectuel est considéré comme une synthèse des quatre éléments et de leur souscomposants: le potentiel humain (profil et compétences); la capacité structurelle (processus et innovation); les relations potentielles (fournisseurs, clients, partenaires); le capital financier (rendement de la chaîne d'approvisionnement, la performance du marché). Pour évaluer chacun des experts souscomposants un certain nombre d'indicateurs clés de performance (quantitatifs et qualitatifs) est élu, en fonction de la priorité pour une entreprise en particulier. Obtenues pendant le processus d'analyse des données sur chaque chute de souscomposants dans un certain délai, sont mises selon le barème élaboré par "le principe de lumières": vert, jaune et rouge.

L'approche la plus commune pour l'évaluation de la performance de l'entreprise du potentiel intellectuel grâce à son capital intellectuel, à savoir ses vecteurs humaines, structureaux et ceux du marché. Ainsi, l'évaluation des positions possibles: les coûts engagés pour créer, à l'achat, le remplacement ou la restauration du capital intellectuel; des revenus qui apporte l'utilisation du capital intellectuel; le capital intellectuel par rapport aux autres entreprises ou moyens indicateurs; représentatifs de la présence de certains éléments (le nombre de licences brevets, inventions, le nombre de membres du personnel) et de leurs caractéristiques qualitatives. Parmi les chercheurs ukrainiens qui ont les développements les plus importants au sein de cette approche sont I. Moyseenko, A. Kendyukhov, W. Volikov. I. Moyseenko [3] dans ses études propose d'appliquer l'analyse des systèmes basés sur des changements dynamiques dans la capacité intellectuelle, les principaux éléments qui considèrent l'homme, du marché, des actifs structurels et la propriété intellectuelle. Chacun de ces éléments est évalué par le critère pertinent (l'énergie du capital humain, les actifs d'information la structure, les actifs d'un marché concurrentiel, sa propriété intellectuelle novatrice) et deux mesures au sein de chaque critère. Le niveau du potentiel intellectuel de la société par l'auteur de synthèse définit la valeur totale de tous les paramètres, ajustés à leur poids. Ainsi, l'indice global varie de zéro à un. Le chercheur B. Volikov [6] dans son évaluation du potentiel intellectuel de l'entreprise utilise des indicateurs caractérisant les



composantes du capital intellectuel: le capital humain, le capital structurel et le capital de la consommation. L'Indicateur généralisé du potentiel intellectuel est défini comme la somme des produits de la composante du capital intellectuel et leur importance. A. Kendyukhov [2] croit comme mesure du potentiel intellectuel de l'entreprise l'activité créatrice de ses employés, offerte à évaluer dans l'analyse de composant personnalisé du capital intellectuel.

Bien sûr, l'approche du point de vue du capital intellectuel à l'analyse du potentiel intellectuel de la société est le plus commun et facile à utiliser, car il permet à un large éventail de développer les méthodes de ses mesures qui existe plus de vingt, et leurs indicateurs respectifs. Cependant, ce groupe, et d'autres approches a les inconvénients suivants du point de vue de leur transfert vers le potentiel intellectuel, ce qui conduit à des problèmes et des questions de la probabilité d'obtenir des résultats objectifs:

1. Il s'agit des problèmes liés à l'identification de la capacité intellectuelle et le capital intellectuel, qui sont intrinsèquement des différentes conceptions. Dans la plupart des avis scientifiques examinées ci-dessus il est note que l'accent sur le fait que ce sont les ressources intellectuelles de créer ce type de bâtiment. Cependant, dans son évaluation, les auteurs sont basés sur les techniques inhérentes au capital intellectuel. C'est la question de savoir si les ressources intellectuelles se généralisent sous la notion de capital intellectuel. Après tout, le capital intellectuel composé de produits intellectuels créé les ressources intellectuelles, et exprime le coût / valeur pour une utilisation ciblée de l'entreprise. En outre, le capital peut transformer les ressources intellectuelles de ces employés qui sont identifiables comme étant distincte prix / valeur s'applique directement maintenant et apporte un certain avantage pour lui. Au lieu de cela, la notion de ressources intellectuelles est plus généralisée, et ce sont eux, et non le capital, les possibilités de formation de l'entité. Par conséquent, ces caractéristiques doivent identifier immédiatement et d'analyser le processus d'évaluation de la capacité intellectuelle.

2. La question de la probabilité et de l'évaluation du potentiel intellectuel grâce aux Paramètres de ses ressources intellectuelles. Nous considérons qu'il est inapproprié d'utiliser ces mesures pour analyser le niveau de ressources intellectuelles personnelles (connaissances, aptitudes, compétences, aptitudes et la motivation). Après tout, l'argent dépense par l'entreprise maintenant sur la formation ou le recyclage ne peut pas garantir l'assimilation des travailleurs du savoir et de la disponibilité de moyens appropriés pour leur application pour atteindre les objectifs de ses activités. Les données empiriques reçues aux résultats des recherches d'expert soulignent par l'auteur des ressources intellectuelles des entreprises ukrainiennes de constructions mécaniques.

3. L'inclusion du capital financier pour les composantes de la capacité intellectuelle et le calcul des indicateurs financiers dans le cadre de son évaluation n'est pas non plus justifiée. Le soutien financier devrait être considéré comme un facteur de l'influence directe, qui est directement dans le processus de formation et l'utilisation des capacités intellectuelles de l'entreprise.

4. Parmi les œuvres étudiées il n'y a pas de communs dans les approches de l'économie tels que: le système, le processus fonctionnel et situationnel. Les approches existées dans la plupart des cas, ne peuvent pas mesurer la valeur de rendement ou les coûts liés aux ressources intellectuelles ou grises Cependant, ils ne fournissent pas de réponses aux questions relatives à l'évaluation de systemes de formation et l'utilisation du potentiel prédictif de l'entreprise, les processus qui se déroulent dans ces systèmes. Un aspect important de l'analyse des mesures de tâches effectuées par le système de gestion de l'entreprise à la formation ciblée et de l'utilisation de ce type de son potentiel.

## **DISCUSSION ET CONCLUSION**

L'un des composants de base du système du potentiel intellectuel de l'entreprise est une méthodologie et des méthodes de l'évaluation des critères de sélection qui dépendent de l'efficacité de la formation et de l'utilisation du bâtiment en vigueur. En outre, suite à une

approche particulière de l'analyse détermine la nature des résultats, ce qui influe directement sur les décisions de gestion adoptées et mises en œuvre en ce qui concerne la poursuite de l'accumulation de ressources intellectuelles, la réalisation de la capacité intellectuelle entité. L'analyse des approches existantes et des techniques spécifiques pour mesurer le potentiel intellectuel a permis d'identifier les principaux problèmes méthodologiques qui permet leur application. Les aspects non étudiés seront pris à la base de nos futures recherches dans le domaine de l'évaluation des fonctions exécutées par la gestion dans le processus de la formation et l'utilisation du potentiel intellectuel de l'entreprise.

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# STRATEGIC DEVELOPMENT OF GREEN BUILDING

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**Abstract:** *The article rationalizes the necessity of application of green standards in construction, and formulates the basic principles of eco-towns creation. The subject of the green building industry perspectives is explored.*

**Keywords:** *green building, eco-town, day lighting, solar panels, green roofs*

## INTRODUCTION

Green building is the practice of increasing the efficiency with which buildings and their sites use water, energy and materials, and reducing a building's impact on human health and the environment over its entire life cycle. Another purpose of green construction is the preservation or improvement of quality of buildings and comfort of their internal environment.

Green building is a new trend in construction which has been actively developing for the last 20 years. Its fundamental principles were formulated in the United Kingdom. In 1990, BRE Global, a non-commercial research establishment specializing in construction innovations, developed the first standard of the real estate environmental assessment – BREEAM (Building Research Establishment Environmental Assessment Methodology). In 1998, Leadership in Energy and Environmental Design (LEED) was adopted in the USA, and since then has become the second most used standard system in line with BREEAM. Many European countries (for example, Spain, Italy and France) are forming national green building councils already.

Green construction guarantees the sustainable development of cities, allowing for reduction in energy and food consumption, elimination of irrational heat release, contamination of water resources and air. Owing to observance of green building principles, construction of eco-towns is becoming a reality all over the world.

## MATERIALS AND METHODS

Methods of analysis, synthesis, systems thinking, analysis, etc. were used in this article.

## RESULTS

Built environment increasingly influences the quality of the external environment, and buildings play a major role in energy consumption and CO<sub>2</sub> emission at all stages of their life cycle. The necessity of reduction of CO<sub>2</sub> content in atmosphere is supported by numerous documents. Thus, in 2009, the members of UNEP (United Nations Environment Program) determined that construction industry is responsible for 40% of global energy consumption and 30% of CO<sub>2</sub> emission. For the life cycle of buildings, including their construction and demolition, 80-90% of energy is consumed during the operating phase for heating, cooling, ventilation, lighting and power supply of various appliances. The remaining 10-20% of energy consumption is represented by manufacturing and installation of construction materials (Kaklauskas, 2013). Therefore, the necessity of application of green building principles in practice all over the world is evident.

Eco-town is a town designed with due consideration of environmental effects, populated by people striving for rational use of natural resources and maintaining air purity.

The term "eco-city" was used for the first time by Richard Register in his book "Eco City Berkeley: Building cities for a healthy future" (1987) (Register, 1987).

Sustainable town is able to feed itself with minimal dependence on surrounding area, and to produce energy from renewable sources. The difficulty is to minimize the possible environmental damage and contamination. To do that, soil should be used effectively,

material scraps composted, waste processed and converted into energy. If such practice is implemented, the town's contribution to the climate change will be insignificant.

Eco-towns are developed with the help of the following techniques:

1) Lowering of the need for air conditioning (due to high consumption of energy) with the help of planting trees and flowers, arrangement of natural ventilation, and expansion of green zones in the town;

2) Use of day lighting. Day lighting is an aspect of green building design that should be ubiquitous: without adequate day lighting, people will not perform well and will not be healthy. For building plans, this implies a design that is no more than 66 feet wide, front to back, or about 33 feet to a window from any workstation. This is a standard design requirement in many places in Europe, where people's health is placed before economic efficiency. Looked at another way, a building should be oriented so that the long axis is east-west. This allows for maximum day lighting, from both south- and north-facing windows (Kibert, 2008);

3) Expansion of pedestrian zones and bicycle tracks for the purpose of reduction of automobile emissions; development of transport with zero emission;

4) Solar panels. Power generated by solar panels can be used to warm up water in buildings and swimming pools, to heat residential and non-residential premises, and to cook food. Economic efficiency of solar panels and other renewable sources of energy (for example, wind power generators, biogas) is achievable in the town-scale use.

5) Following the principle of compact building, i.e. limitation of expansion of towns, transport network optimization, but, at the same time, avoidance of heavily populated districts;

6) Green roofs and vertical gardening. Green roofs perform important environmental functions while maintaining the waterproofing functions of a non-green roof. Green roofs help reduce the flow of heat into and out of the surfaces they cover. The benefit is much greater in summer time, when it allows reducing air conditioning inside premises and, consequently, to cut energy costs;

7) Creation of "agro skyscrapers" (vertical agricultural buildings) inside city boundaries to shorten the way of food from the field to the table;

8) Smart home. It provides comfort, security, energy efficiency (low operating costs) and convenience to home owners at all times.

The rapidly evolving and exponentially growing green building movement is arguably the most successful environmental movement today. In contrast to many other areas of environmentalism that are stagnating, sustainable building has proven to yield substantial beneficial environmental and economic advantages.

Despite this progress, however, there remain significant obstacles, caused by the inertia of the building professions and the construction industry and compounded by the difficulty of changing building codes.

Industry professionals, in both the design and construction disciplines, are generally slow to change and tend to be risk-averse.

Likewise, building codes are inherently difficult to change, and fears of liability and litigation over the performance of new products and systems pose appreciable challenges. Furthermore, the environmental or economic benefit of some green building approaches has not been scientifically quantified, despite their often intuitive benefits.

Finally, lack of a collective vision and guidance for future green buildings, including design, components, systems and materials, may affect the present rapid progress in this area (Yudelson, 2007).

On the other hand, Jerry Yudelson, international consultant on ecological construction and sustainable development of the environment from the USA, thinks that "green building will continue its quick global expansion in 2013-2014, despite the ongoing economic recession in most countries of the European Union and Northern America".

Yudelson expressed his opinion that, in the near future, many buildings will be redesigned as per green standards. The number of buildings with zero power consumption will also increase, and they will be controlled remotely.

### **DISCUSSION AND CONCLUSIONS**

In future, green building will be gaining more and more popularity among architects and designers, construction professionals and inhabitants of built-up areas. Green building standards will be expanding all over the world, changing people's mindset and attitude to the environment.

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## ENTREPRENEURSHIP AND SME GROWTH: FACTS FROM ALBANIA & KOSOVO

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**Abstract:** *The SME sectors' development creates sustainable economic growth, employment and lowers the country poverty. Policy-makers and academics are expressing their interest in the influencing factors to growth in the SME-s field. This paper aims to examine the impact of firm size on the growth of small and medium enterprises (SMEs) in two Balkan countries at two stages of development. It compares Albania (24 year after the communist regime) with Kosovo<sup>19</sup> (six years after the independency). At a practical level, this paper aims to help economists, firm managers, government and related bodies in implementing practices and strategies in order to enhance the performance and growth of SMEs in developing countries. To explore SMEs growth this paper uses data from both countries regarding entrepreneurship and firm size, growth sales and employment growth.*

*This paper tends to contribute to the literature by emphasizing the entrepreneur role and some influencing factors to SMEs growth.*

**Keywords:** *SME-s, factors to growth, entrepreneurship, employment, sales*

### INTRODUCTION

*"[SME-s] are mighty minnows, reflecting the competitive spirit that a market economy needs for efficiency: they provide an outlet for entrepreneurial talents, a wider range of consumer goods/services, a check to monopoly inefficiency, a source of innovation, and a seedbed for new industries; they allow an economy to be more adaptable to structural change through continuous initiatives embodying new technologies, skills, processes or products<sup>20</sup>".*

In Albania according to National Institute of Statistics (INSTAT), SME-s consist in 99% of all firms, by offering about 66% of all job positions in non-agricultural sector and seems to be the more dynamic. In Kosovo year by year the SMEs sector has shown growth. According to the Ministry of Trade & Industry (MTI) the number of registered businesses is 65 051<sup>21</sup>. Mostly of these enterprises are focused in the trade sector and 90% of SMEs in Kosovo are sole proprietors. Hoxha & Krasniqi 2008, states that the number of SMEs per inhabitants in Kosovo (16 SMEs per 1000 inhabitants) is quite lower than the European average (34 SMEs per 1000 inhabitants). SMEs contribute to the GDP of a country and they promote regional/community growth. Depending on the economic, geographical, educational and cultural levels, factors to growth vary from country to country. SME-s growth can be measured in amount of sales, in assets' value and number of employees. According to Michael Klein after the communist regime fall, the economies needed SMEs<sup>22</sup>.

Creativity, innovation and growth are mainly related to entrepreneurship. Harvard Business School defines the 'entrepreneurship' as the way to catch opportunities with the resources you already have<sup>23</sup>. If entrepreneurs have the right environment and incentives they can start up growing firms. In the literature there is not a precise definition on the term entrepreneur. There are two definitions about the entrepreneur; the first one defines an entrepreneur as a person who creates a business of any type<sup>24</sup>. The second definition is

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<sup>19</sup> The declaration of independence in Kosovo was adopted on 17 February 2008 by Kosovo Assembly.

<sup>20</sup> Hashim & Abdullah 2000, p. 193.

<sup>21</sup> Ministry of Trade and Industry MTI 2006, Observatory of Kosovo's SMEs.

<sup>22</sup> IFC, 2004.

<sup>23</sup> Stevenson 1983, 1985; Stevenson and Jarillo, 1991.

<sup>24</sup> Most of the literature refers to this concept- so called the classical school. The most known author is Kirzner 1973.

referred to Schumpeter 1934 who states that an entrepreneur is the one who creates innovation by introducing a new product or process; or by creating a new organizational style and by identifying new markets.

In Albania there have been two phases of entrepreneurs' creation. In the '90s the communist regime collapsed and there were no barriers for creating private businesses so the first type of entrepreneurs emerged into a non stabilized market (with supply-demand issues). When the government took some serious measures and macroeconomic reforms by lowering the inflation rates the market seemed to be normalized (no more supply-demand issues) and in Albania emerged the second type of entrepreneur. All the effects and consequences will be noticed in the long run, especially the growth rate. SMEs with lower costs can more adaptable to organizational changes than large firms.

In Kosovo too we can notice two periods (from the 80s to the beginning of the war in 1998, and after the UN intervention and creation of local/governmental institutions) of entrepreneurial creation and development. The first phase is characterized by high unemployment rates, tax evasion and avoiding the authorities. After the war people in Kosovo were entering into the trade sector by creating small firms due to low entry costs. But the most concentration of SMEs is on retail (50%), storage and distribution (14%), food products (9%) and hotel /restaurants (9%).

The entrepreneurial activity after the independency has began with reforms in the entrepreneurial infrastructure. Nowadays SMEs in Kosovo are playing a key role in the development of the free market and in the economic growth of the country. Mostly the Kosovo's SMEs are concentrated in the trade sector which is facing unproductive and low investments. According to SMEs policy report 2009 Kosovo is working on completing and adjusting the regulatory requirements for SMEs policy<sup>25</sup>.

## MATERIALS AND METHODS

In this paper it is proposed a theoretical framework for SMEs growth in two countries with different stages of development Albania and Kosovo. Firm growth is an important tool for economic welfare of a country. This paper focuses on the differences and similarities between the SME situation in Albania and Kosovo.

In order to create policy thoughts in the main area of SMEs this paper uses different sources. The data used by *the World Bank Enterprise Survey* conducted in 2007 and 2008 which covers for Albania an analysis of 304 firms and for Kosovo an analysis of 270 firms helps to compare the small and medium enterprises business environment. All of our indicators calculations are referred to only the manufacturing firms in these countries.

To explore SMEs growth this paper uses data from both countries regarding entrepreneurship and firm size, growth sales and employment growth.

This paper tends to contribute to the literature by emphasizing the entrepreneur role and some influencing factors to SMEs growth.

## RESULTS

Different authors examine the growth outcomes, other researchers try to analyze the factors to growth, and others investigate the growth process by itself<sup>26</sup>. From the literature review we notice that growth can be associated with entrepreneurial skills, financial constraints, entrepreneurial behavior, environment characteristics, investment decisions, capital structure.

Moreno and Casillas (2008) state that environment conditions and firm resources encourage growth, so entrepreneurial orientation (EO) and growth are positively correlated. An entrepreneur should have the ability and flexibility to react quickly to any impact of innovation (either if it is incremental or drastic). Evans (1987) in his analyze on the impact of

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<sup>25</sup> The SME strategy development of Kosova 2012-2016 with vision to 2020.

<sup>26</sup> McKelvie and Wiklund, 2010.

firms' size and age on firm growth, concluded a negative correlation. Other authors<sup>27</sup> found that access to finance and influence of external finance is related to firm growth.

Morone and Testa (2008) states that younger firms tend to face positive growth.

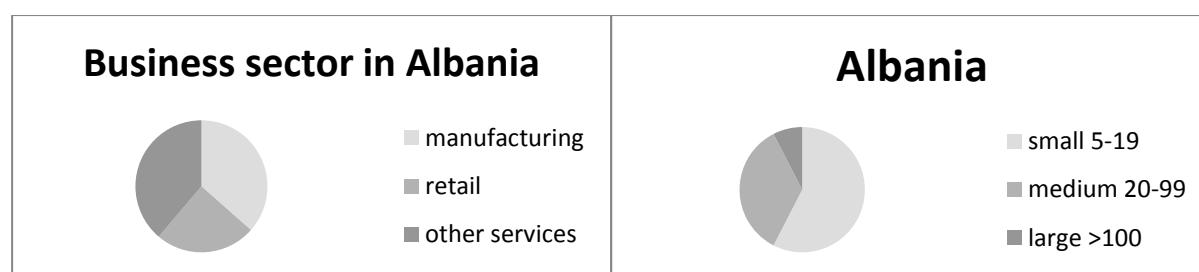
Other authors consider, labor characteristics, the industry sector, the gender of the owner, efficiency as influencing factors in SMEs growth.

Empirical researches argue that SMEs growth is dependent by micro and macro determinants. In the micro level we can mention not only the traditional factors like age, size but also specific factors (future business plan, factor productivity, finance). In the macro level influencing factors on firm growth are: the political environment, the Gross Domestic Product, the income tax rates, the inflation.

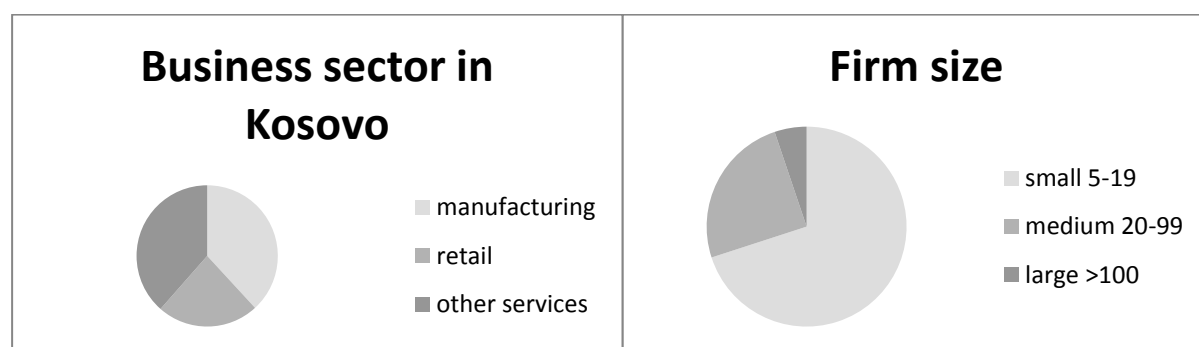
Robert Gibrat (1931) proposed the so-called '*The Gibrat Law*' or the '*Law of Proportionate Effect*', which states that growth is independent from the firms' size. Later on, empirical evidence has shown rather Gibrat was right or wrong.

One group of researchers concluded that he was wrong and found a negative relationship between size/age and growth<sup>28</sup>. But other empirical studies have partially agreed on Gibrat findings<sup>29</sup>.

### Situation in Albania & Kosovo



According to the Enterprise Survey conducted by the World Bank in Albania in 2008 including 304 Small, Medium and Large firms, 111 firms operate in the manufacturing sector, 75 operate in the retail sector, and 118 firms contribute to other services. The Albanian business sector is mostly composed by small firms. Analyzing the data we can find that 175 of all firms are small (about 57.56%); 106 of all firms are medium (about 34.86%) and the remaining 23 are large (about 7.56%).



As we see from the graphics above, the manufacturing sector and other services sector are equally dominate the market in Kosovo. 103 firms operate in the manufacturing business sector (about 38.14%), 104 firms (or about 38.51%) operates in other services business sector while the remaining 63 operates in the retail sector. In Kosovo mostly of these firms are small 189 or about 68.14%; 67 are medium or about 24.81% and the large business sector is represented by only 14 firms or 5.18%.

<sup>27</sup> Becchetti and Trovato (2002); Fazzoni et al (1988); Wagenvoort (2003); Carpenter et Peterson.

<sup>28</sup> Evans (1987); Hart (2000); Yasuda (2005); Krasniqi (2006).

<sup>29</sup> Lotti et al (2003); Diaz-Hermelo & Vassolo (2007).



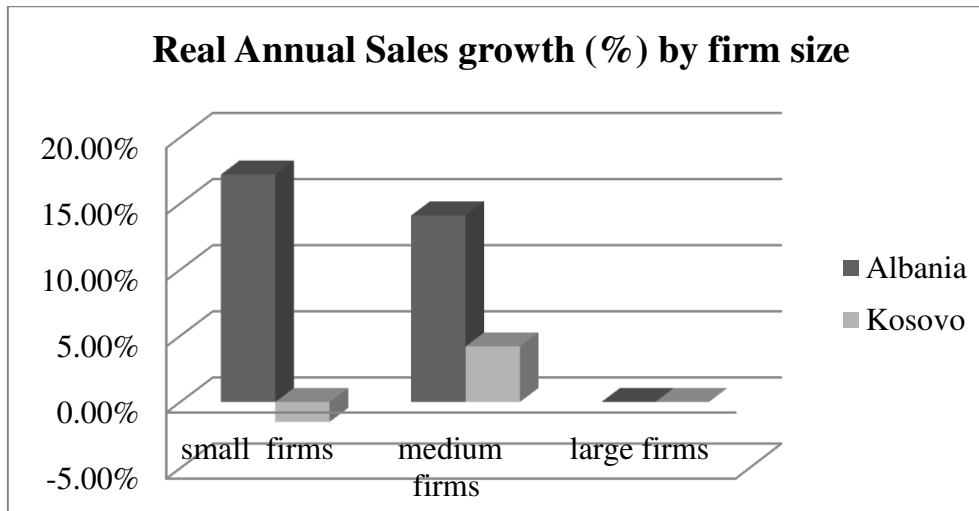


Figure 1: Source <http://www.enterprisesurveys.org>), The World Bank

As we can see from Figure 1 the real annual sales growth<sup>30</sup> for Albanian small firms have been 17.2% during the 2008, otherwise for Kosovo the same indicator has a negative value in the 2009 survey.

Medium enterprises in Albania have a 14.1% real sales growth, about 1.7% higher than the growth of medium firms in Eastern Europe and Central Asia (12.4%).

Kosovo medium firms as well have a visible sales growth by 4.2% but quite far the 12.4% of Eastern Europe countries and Central Asia. For large firms we have missing values for Albania and Kosovo.

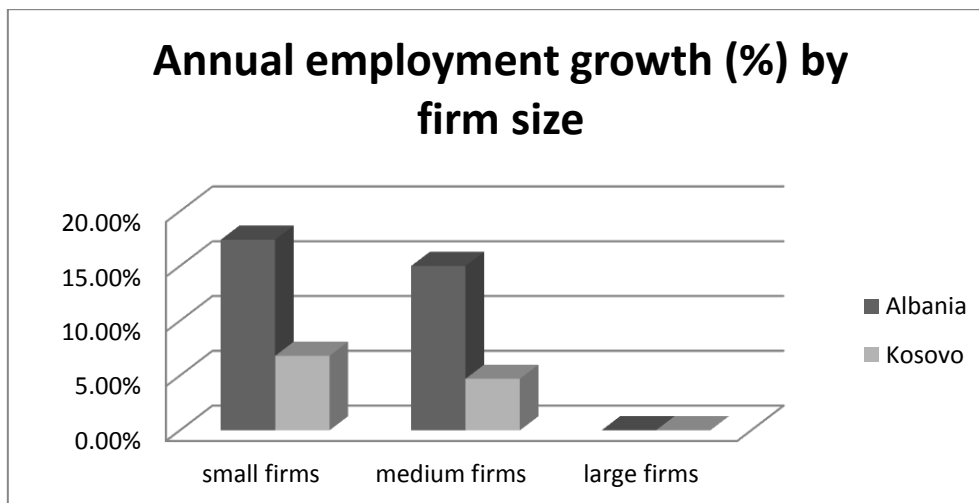


Figure 2: Source [www.enterprisesurveys.org](http://www.enterprisesurveys.org), The World Bank

As we can see from Figure 2 in Albania small and medium firms have a high employment growth rate<sup>31</sup> of about 17.4% and 15%. In Kosovo as well we find values of employment growth of about 6.8% for small firms and 4.7% for medium enterprises.

The data found for Albanian SMEs are quite surprising, because the employment growth for Eastern Europe countries and Central Asia are in values of 4.8% and 6.3%.

In this figure is still missing the data from both countries for large enterprises.

<sup>30</sup> This indicator is calculated by using data from manufacturing firms only.

<sup>31</sup> This indicator is calculated by using data from manufacturing firms only.

### The importance of SMEs, some EU data

SMEs play an important role by creating the most large business sector in every economy<sup>32</sup>. The government strategies should be focused in promoting and supporting SMEs growth and development<sup>33</sup>. As Peacock 2004 states in OECD countries since the late years '70s SMEs have increased employment (by creating new jobs) and have contributed to the GDP. At the same time their contribution at a micro level can be looked at regenerating the community and promoting regional economic development. In terms of research and development SMEs have a positive impact to innovative activities<sup>34</sup>. Howard 1997 argues that depending on this correlation between innovation and entrepreneurship SMEs have contributed in large firms' establishment. In the European economy SMEs are essential and considered as the backbone for achieving the goals of 'Europe 2020'<sup>35</sup>. Based on data from first table the EU needs the 20 millions of SMEs which play a fundamental role in the economic growth and development. In the 2012 the SMEs sector has provided a gross value added<sup>36</sup> of 57.6%, by employing approximately 86 millions of people. The value added in the services and manufacturing sectors was about €2.9 trillion<sup>37</sup> and 15% of all EU SMEs gave their contribution to the construction and utility sector.

Two years after the financial crisis, SMEs had a difficult time facing 4.3% growth in the VA by European SMEs and with no change (stagnation) in terms of employment.

Only one European country, Germany, had positive SMEs performance in terms of value added and employment. According to national data the GDP in Germany fell, the VA dropped by 3.6%, but this was due to loss in VA by large firms. German large firms had a 10% loss, but SMEs had a growth of about 1.5%. The expectations for the years to come 2013 and 2014 are quite positive; the number of SMEs in the EU will continue to grow by reaching the 1.1% level below its 2008 level; employment and value added will have growth tendencies<sup>38</sup>.

Table 1

Number of enterprises, employment and value added for 27-EU (2012)

	Number of Enterprises	%	Number of employed people	%	Value added at factor cost	%
Micro	18,783,480	92.1 %	37,494,458	28.7%	1,242,724	21.1%
Small	1,349,730	6.6%	26,704,352	20.5%	1,076,388	18.3%
Medium	222,628	1.1%	22,615,906	17.3%	1,076,270	18.3%
<b>SMEs</b>	<b>20,355,839</b>	<b>99.8%</b>	<b>86,814,717</b>	<b>66.5%</b>	<b>3,395,383</b>	<b>57.6%</b>
Large	43,454	0.2%	43,787,013	33.5%	2,495,926,	42.4%
<b>Total</b>	<b>20,399,29</b>	<b>100%</b>	<b>130,601,730</b>	<b>100%</b>	<b>5,891,309</b>	<b>100%</b>

### DISCUSSION AND CONCLUSIONS

SMEs contribute to the GDP of a country and promote regional & community growth. The government strategies should be focused in promoting and supporting SMEs growth and development. Depending on the economic, geographical, educational and cultural levels, factors to growth vary from country to country.

The entrepreneur is the one who creates businesses? Or is the one who makes big innovations, creates new products and explores new markets? We can agree on both statement, and we should have into account that creativity, innovation and growth are mainly

<sup>32</sup>Culkin & Smith 2000

<sup>33</sup>Abdullah & bin Bakar 2000

<sup>34</sup>Acs & Audretsch 1990

<sup>35</sup>[http://ec.europa.eu/enterprise/policies/europe2020/index\\_en.htm](http://ec.europa.eu/enterprise/policies/europe2020/index_en.htm)

<sup>36</sup>GVA can be calculated as the difference between output and intermediate consumption.

<sup>37</sup>85% of all EU SMEs work in these two sectors

<sup>38</sup>Based on the forecast for the 2012 Annual Report on European SMEs, this year's forecast is characterized by weaker VA, gross labor productivity and employment growth.

related to entrepreneurship. The entrepreneurial creation and development in Albania and Kosovo has passed in two phases. After the 90s when the communist regime falls there is the first time of free market and of the existence of entrepreneurs in Albania. And the second phase is when the government took seriously macroeconomic reforms to consolidate the market. From the '80s to the beginning of the war in 1998 is the first phase of Kosovo's entrepreneur creation and the second phase is after the UN intervention and creation of local/governmental institutions.

According to the Enterprise Survey conducted by the World Bank in Albania in 2008 including 304 Small, Medium and Large firms, 111 firms operate in the manufacturing sector, 75 operate in the retail sector, and 118 firms contribute to other services

According to the Enterprise Survey conducted by the World Bank in Kosovo, the manufacturing sector and other services sector are equally dominate the market. 103 firms operate in the manufacturing business sector (about 38.14%), 104 firms (or about 38.51%) operates in other services business sector while the remaining 63 operates in the retail sector. In Kosovo mostly of these firms are small 189 or about 68.14%; 67 are medium or about 24.81% and the large business sector is represented by only 14 firms or 5.18%.

The annual sales growth for Albanian small firms has been 17.2% during the 2008; otherwise for Kosovo the same indicator has a negative value in the 2009 survey. Medium enterprises in Albania have a 14.1% real sales growth, about 1.7% higher than the growth of medium firms in Eastern Europe and Central Asia (12.4%). Kosovo medium firms as well have a visible sales growth by 4.2% but quite far the 12.4% of Eastern Europe countries and Central Asia.

In the 2012 the SMEs sector has provided a gross value added<sup>39</sup> of 57.6%, by employing approximately 86 millions of people. The value added in the services and manufacturing sectors was about €2.9 trillion<sup>40</sup> and 15% of all EU SMEs gave their contribution to the construction and utility sector.

The expectations for the years to come 2013 and 2014 are quite positive; the number of SMEs in the EU will continue to grow by reaching the 1.1% level below its 2008 level; employment and value added will have growth tendencies

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# THE 'NATURAL HISTORY' OF UNEMPLOYMENT IN POLAND DURING PAST TWO DECADES <sup>41</sup>

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**Abstract:** *The paper shows history of Polish unemployment since 1990 e.g. the start of systemic transformation. It presents the size of the problem, then the awareness dimension. Based on data from the past 21 years, it can be concluded that changes in the economic situation clearly influenced the Poles' opinions on the labor market. For most years, employment access opportunities were rated by the respondents as very low and low. Several periods of decline in unemployment were associated with improvement, increasing optimism among respondents and a belief in the future. The aim of the paper is to perform an analysis of the objective and subjective dimension of the social problem that is unemployment under the conditions of a developing democracy and market economy and the dismantling of the welfare state in Poland.*

**Keywords:** *unemployment, social problems, public opinion, Poland*

## INTRODUCTION

In Poland, the phenomenon of unemployment appeared over 20 years ago due to the essential reorganization of political and economic system, briefly referred to as "shock therapy". A considerable part of the population of the country was then against introduction of free labor market and unemployment, declaring for maintaining the socialist rule of the full employment that had been known for the previous 45 years. Drozdowski (2002:52) indicates that a percentage of fervent supporters of the full employment and of preventing unemployment amounted to as much as 42.5% in 1988. Other studies carried out in the 80s showed that industrial workers were critical of the "rule of a guaranteed employment for everyone in the productive age group", they strongly supported the rule of the employment security for anyone who wants to work and whose work makes economic sense" (Drozdowski, 2002:53). Dynamics of economic and political changes of 1989-1991 and their scope resulted in the fact that soon unemployment became a phenomenon perceived as the greatest nuisance in the collective life.

## MATERIALS AND METHODS

Studies showed that the list of the most important problems faced by the Poles as the community was changing. In some years, a relatively large number of people surveyed pointed out to the taxation system, privatization and re-privatization or the situation in the agriculture as the key social issues (Miś, Nózka, Smagacz-Poziemska, 2011). However, the position of unemployment as a social problem was unique. In the vast majority of surveys, "employment and unemployment" were considered to be the most crucial issue for the country. It was so in the 90s, and in the first decade of the 21<sup>st</sup> century. The percentage of respondents pointing to this issue was different in various years; e.g. 64% of respondents in 1997 and 87% of respondents in 2002 stated that unemployment was the most important social problem. Survey research clearly demonstrated that the thing that was really troubling Poles and upset them was the lack of employment and the situation on the labor market. It is interesting that the differences between the significant socio-professional categories in the judging the importance of the problem of unemployment were relatively small. The great majority of office workers, entrepreneurs, MPs and prosecutors considered that unemployment and employment was the most important social issue (Kubiak, 2008). This unique importance of unemployment for the public opinion was the reason why the history of

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<sup>41</sup>This article draws in part on a previously published book in Polish (Miś, Nózka, Smagacz-Poziemska, 2011).

this issue may serve as a model example of collective dealing with a change in a sphere that provides resources for basic living expenses and ensures welfare of individuals, families and communities (that is in the sphere of employment). It is worth mentioning that Poland underwent the system transformation during a relatively short period, and then prepared itself to the accession to the European Union (which happened in 2004) and opened to the world (globalization). Among the Western authors who explored similar issues, one should mention Phineas Baxandall (2004) who showed construction of the concept of "unemployment" in Hungary in the 90s and Dana Brown (2007) who described the politics of unemployment in Poland in the 90s and later.

## RESULTS

The situation on the labor market before 1989 is very important if one wants to understand peculiarities of the later transformations. It is worth remembering that at the moment when the system transformation began, the employment structure in Poland was significantly outdated when compared to the countries of Western Europe, and the reasons behind that included a very high percentage of individual fragmented farmsteads, high percentage of population inhabiting villages in comparison to towns and cities as well as the domination of the old and inefficient industry (with mining industry, metallurgical industry, power industry, ship building industry and machine building industry as dominating branches). Changes that occurred after 1989 were of a painful nature and unanticipated for most citizens, which was revealed by sociological studies. When in 1999, Public Opinion Research Center (Centrum Badania Opinii Społecznej, CBOS) carried out the research entitled "Full Shelves and Sense of Freedom – Balance of Changes during the Past Decade" (Pankowski, CBOS, 1999), respondents who were questioned what had changed for the better since 1989 (one could indicate maximum three items) indicated first of all changing related to better shop supplies and goods availability (42% of indications) and general political changes as well as democratization finding expression, among other things, in freedom of speech and abolition of censorship. When questioned about changes for the worse, they indicated: unemployment and difficulties in finding a job (59% of indications), growth of crime, lack of sense of security (19% of indications), unprofitable agricultural production, poverty in the countryside, decline of agriculture (16% of indications), poverty and impoverishment of society as well as low earnings, lack of money (15% of indications each). At the same time, only 1% of respondents answered that "nothing got worse" (Pankowski, CBOS, 1999). This result shows that following ten years of system transformation, the problem of shortage of consumer goods was replaced with the shortage of jobs; a significant part of Poles became consumers in the free market and ceased to be producers (makers) within the new economy.

*1. Dynamics of unemployment:* Figure 1 shows change in the number of people registered as unemployed. Periods of unemployment growth and decline can be clearly seen.

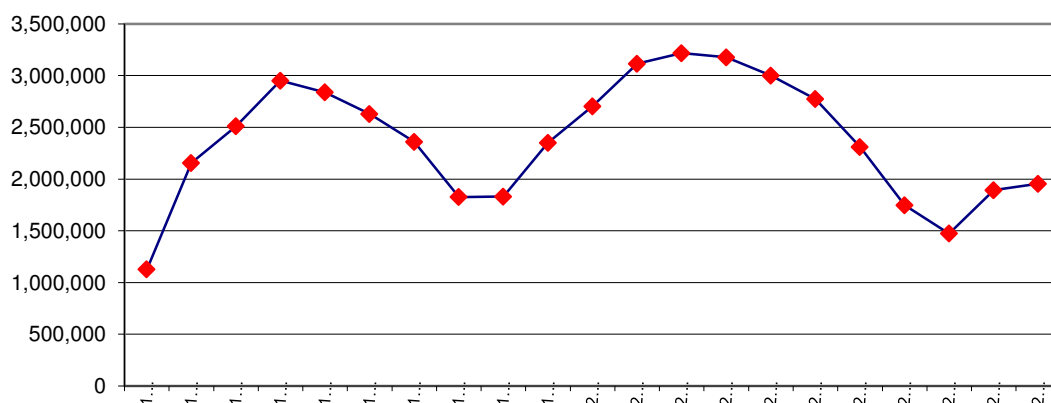


Figure 1: Unemployment registered in Poland, 1990-2010;

*Source: own calculation based on Central Statistical Office data*

The rapid rise of the first wave is connected with the introduction of "shock therapy", and its fall with the political and social reaction (the post-communist party regained power and implemented proactive employment policy). The second wave is connected with the introduction of the second series of system reforms, financial crisis in Russia and stock market crash in the U.S.A., and the young generation of the demographic explosion entering the job market. The decline in unemployment after 2004 was connected with the accession to the European Union, political change (conservative and protectionist parties rising to power) and mass emigration to Great Britain, Ireland and other UE countries which opened their labor market to Poles. In total, nearly five million jobs were lost between 1990-1993 and 1999-2003. Economic migration abroad after 2004 may also be described as mass migration. Researchers estimate that during the peak period, about two million people left Poland looking for work in the European Union countries. The rise in unemployment during the last three years was related to the impact of financial crisis in the U.S. on the domestic economy, part of emigrants coming back, and a return to more liberal economic policy (privatization, tax reduction etc). Factors decreasing the rise in unemployment involved investments for Euro 2012, deepening integration both with the European Union and the global economy, and government's more active employment policy.

The relation between changes in the volume of unemployment and the government's policy is shown in Table 1.

Table 1

Changes in unemployment rates and governments, Source: own work

Indicators	1990-94	1995-98	1999-2003	2004-2008	2009-2010
	Rise	Decline	Rise	Decline	Rise
Unemployment rate	6.1 – 16.4	16.0-10.4	13.1-20	19- 9.5	11.9- 11.8
Governments	Solidarity-led	Post-communist	Solidarity-led./ Post-communist	Post-communist./ Solidarity-led	Post-Solidarity

Analysis of actions taken by individual governments proves that both when governments were formed by leftist parties and by rightist parties, there were unemployment rises. The same applies to the unemployment decline. More relevant was the economic policy pursued by the respective governments – the liberal one (for the Solidarity-led and post-Solidarity governments between 1990-1994 and 1998-2001, and post-communist governments between 2001 and 2005) or the post-Keynesian one (post-communist governments between 1994 and 1998, and post-Solidarity governments between 2005 and 2008). The above data shows the beginning of the evolution of the political and economic system where a division between truly leftist government (prioritizing employment creation) and rightist government (prioritizing capital) had not been established yet.

Comparing changes in the field of unemployment and strikes indicates that a very rapid increase in unemployment was accompanied by strikes only in the initial stage of transformation. In fact, during the period of so-called unemployment "second wave" there were no strikes, strikes were staged only during the period of radical improvement in labor market situation when unemployment fell to a record-low level. The conclusion is that employees participation in the fight for rights and professional privileges was related to two completely different situations: state-owned companies and enterprises liquidation (1990-1993), and growing demand for the manpower as a result of mass economic emigration and improvement in business conditions due to the accession to the European Union (2007-2008). As to the remaining period, we can state that unemployment appeared to be a very effective measure to maintain labor discipline in the economy that was more and more open to the world and undergoing privatization (Figure 2). Population proportionality of women and men in the group of the really unemployed people is worth noting – this result of the "Social Diagnosis" research undermines the thesis about unemployment (and poverty) feminization which can be found in literature (Czapiński, Panek, 2009).

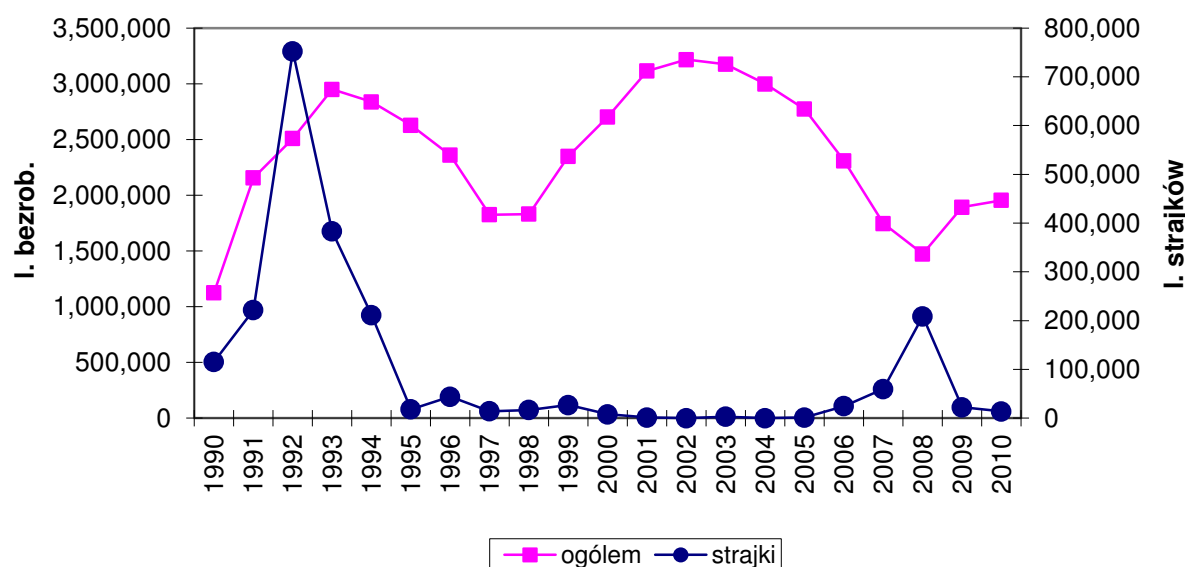
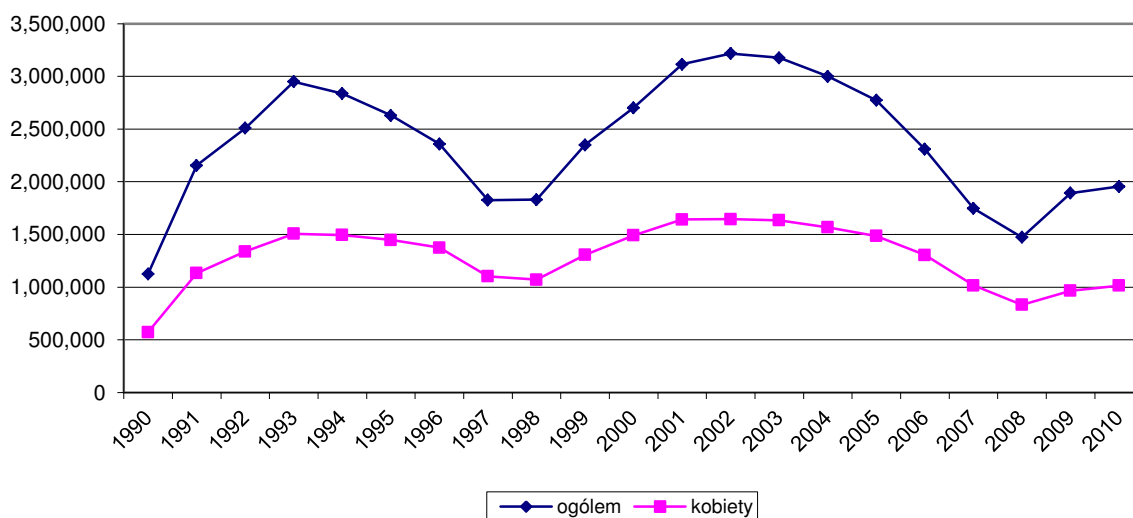


Figure 2: Number of the registered unemployed (line with squares) and number of the strikers (line with circles); Source: own calculation based on the Central Statistical Office data

Figure 3 shows small differences between the genders, moreover, during the period of unemployment rise, a share of women unemployed in the total number of unemployed people decreases. Also according to S. Golinowska, Polish research studies do not provide any evidence for the thesis that in Poland, one may observe a phenomenon of unemployment and poverty feminization (Miś, Nózka, Smagacz-Poziemska, 2011).



Legend: general unemployment (up), women unemployment (down)

Figure 3: Unemployment (men and women) and unemployment of women, 1990-2010; Source: Central Statistical Office

One should remind here about women's better level of education. From the Central Statistical Office (Główny Urząd Statystyczny, GUS) report on registered unemployment in the 1<sup>st</sup> quarter of 2010, it appears that slightly more than half of unemployed women received secondary and higher education – while less than one-third of unemployed men received the same level of education (*Bezrobocie rejestrowane I kwartał 2010*, 2010). In other words, unemployed women are better educated than men.

2. *Profile of unemployment between 1990 and 2010*: Researchers very often indicated such particular features of Polish unemployment, distinct from those of unemployment in countries having a stable market economy as:



- Strong spatial differentiation (metropolises vs. towns and villages),
- High proportion of the long-term unemployed, with periods of remaining jobless being extended,
- High unemployment rate for young people,
- Existence of grey economy, allowing for work but not for registered employment,
- Conversion of unemployed people into categories of people who do not work but are covered by the social security system in the form of so-called "pre-retirement benefits and allowances".

3. *Spatial differentiation*: Some sociologists and economists considered huge unemployment rate in certain periods, spatial disproportions and composition of this category as factors threatening social development. For instance, Tomasz Budnikowski (2009:239) stated: "The feature that distinguishes Polish labor market from that of the majority of OECD countries are very significant regional differences in the unemployment intensity". He sees the reasons behind that state of affairs in the "developmental differences, in structural transformations occurring in the economy and in different share of post-state farms agricultural property" (Budnikowski, 2009:239). Additional factor determining geographical differences is low spatial mobility of Poles connected with the unfavorable housing situation and unwillingness to look for work outside of their domicile.

Tomasz Budnikowski (2009) indicated also strong differentiation of unemployment and income generating work within provinces and districts. In Warmian-Masurian or Masovian provinces, the differences between the best and the worst districts amounted to nearly 30%. The most unfavorable situation could be found in Warmian-Masurian and West Pomeranian provinces as they had the greatest number of districts where unemployment exceeded 30%. Analysis of changes in unemployment rates between 1999 and 2008 led Budnikowski to the conclusion that unemployment was much differentiated in terms of territory; differences were visible at the level of provinces, and even more at the level of districts, with the size of the urban centre being of great importance (the lowest unemployment is in metropolises). Similar results can be obtained when comparing electoral districts. There were fourfold difference between metropolises and peripheral districts (Warsaw) or at least threefold (Poznań). However, in provinces without a large urban centre, the differences between electoral districts were small (several percent) (*Okręgi wyborcze do Senatu, Bezrobocie*, 2006).

To sum up, various research studies show a high degree of spatial differentiation of unemployment in Poland. Differences within territorial units (e.g. provinces or districts) are often greater than differences between them. The decisive factor is existence of metropolises in a given area and their impact on employability of inhabitants of villages and small towns situated within the travel distance to work. Comparing differences in unemployment rates within the territorial units (provinces and regions) in Poland and Great Britain, we may find out that these differences are significantly greater (more than twice) in our country than in Great Britain. (*Local Unemployment, Rates vary between 2.6% and 1.4%*, *National Statistics Online*, 2010).

4. *Long-term unemployment*: Research studies also show a high share of the long-term unemployed in all this population. During the period starting from 2001, a percentage of the long-term unemployed increased from 61% to 71% in 2007, later on it fell to 57% in 2011. As opposed to the previous decade, the general assessment of changes that occurred between 2001 and 2010 is, however, positive: "more and more often we are facing the issue of a short-term unemployment (shorter than one year), whereas less and less frequently of a long-term unemployment" (Wądołowska, 2011: 4-5).

5. *Youth unemployment*: A noticeable category among the unemployed is young people. Despite the decline in unemployment rate in the 16-24 age groups that has been observed in recent years, Poland belongs to those countries where the unemployment rates are the highest. In 2000, over 35% of people aged 16-24 were registered as unemployed, in 2005

over 37.8%, and in 2007 21.7%. Statistical data obtained in the research of the economic activity of population (Badanie Aktywności Ekonomicznej Ludności, BAEL), referring to the category of the young unemployed also prove that the unemployment rate in the under-24 age category is considerably higher than the average, and in the next age category, namely between 25 and 29, this rate significantly decreases, but it is still higher than the average. Also, *Concise Statistical Yearbook of Poland* indicates that in 2009 young people formed a large category of people registered as unemployed: among registered unemployed men, 48% were below 34 years of age. Among registered unemployed women, rates are still higher (55% respectively) (*Mały Rocznik Statystyczny 2010, 2011*: 156).

6. *Unregistered employment*: In view of difficulties in accessing registered employment, a good number of unemployed undertake work in the grey economy (that is derive benefits which are not indicated by official statistics), and secondly, research studies show that part of the unemployed is not really interested in undertaking work. Very interesting data on these relationships can be found in the successive issues of "Social Diagnosis" (2000, 2003, 2005, 2007, 2009), including a dynamic model of unemployment elaborated by Janusz Czapiński. It may be interesting to refer here to the results of the analysis of the actual situation of unemployed respondents of the "Social Diagnosis". On the basis of the respondents' answers, the authors of research determined two groups of unemployed: the real ones and the apparent ones. Among the apparently unemployed, three further subgroups were determined: those who are not interested in work (who are not seeking work or not ready to undertake it), those working in black work, or earning income not less than 950 PLN (Polish zlotys) per month (in 2003 it was 800 PLN, in 2005 850 PLN, and in 2007 900 PLN) in some other way. As say the authors of the analysis, Janusz Czapiński and Tadeusz Panek, "similarly as in the previous rounds of the research, the apparently unemployed represent a significant percentage of all registered unemployed (in 2003 and 2005 about 1/3, and in this [2009] year already nearly a half" (increase in percentage of the apparently unemployed is due to the decline of the registered unemployment rate, with the size of this group being relatively constant). Research provides evidence that a "percentage of people receiving benefits is the highest for those who work in black work, and the lowest for those who are not interested in work. [...] Among the unemployed who are working, there is the largest share (nearly twice as large as for the unemployed who are not interested in work) of those who register more than once with employment offices. Generally, there are the unemployed whose work is more resemble to the real unemployed and the unemployed who are not interested in work" (Czapiński, Panek, 2009: 320-321). Research conducted by Irena Kotowska suggests that a percentage of the really unemployed amounted from 78% to 61% during 2000 and 2005 (Miś, Nóżka, Smagacz-Poziemska, 2011). The recent research carried out by Public Opinion Research Centre (Centrum Badania Opinii Publicznej, CBOS) also confirms previous findings by Irena Kotowska and the "Social Diagnosis 2009". They demonstrate that self-declarations on considering themselves unemployed (11% of respondents from the representative randomly selected sample of adult inhabitants of the country) exceed almost twice a share of people declaring that they are unemployed registered with an employment office, seeking work (5%) and ready to take it in the nearest future (Wądołowska, 2011). In other words, adult people declare themselves unemployed, but half of them are actively engaged in seeking work on the open free labor market. Others undertake work, but outside the system of registered employment.

International comparative research showed that unregistered work was done by 1.317 million of people (in 2004) and that work in the grey economy is more often taken by men (63.2% of all people doing unregistered work), people aged 25-44 (46%), but a share of young people, under 25 years of age was also significant (over 20% of all those who indicated doing unregistered work). Workers of the grey economy are most often people having low professional skills and low level of formal education. Lack of possibilities of finding legal employment and insufficient income were mentioned among main reasons of taking

unregistered work (these factors were indicated by almost two-thirds of people participating in the survey). Other reasons mentioned included also high social security contributions (12%) and situation where the employer proposes higher earnings without work registration (10.3%).

Declarations of respondents working in the grey economy show that the top three jobs performed included: renovations and building and fitting services, garden work and so-called neighbors' services, which is consistent with the data on the level of education and competence of unregistered workers. "Grey economy" – as research shows – involves manual work, low-paid jobs, and casual labor.

It is worth adding that unregistered employment produced positive reaction of social surroundings – there was an atmosphere of social approval for that type of unregistered economic activity, being mainly odd jobs, short-term jobs, and low-skilled jobs. Also, some experts emphasize context nature of grey economy and positive consequences of "grey economy" as a chance for reducing unemployment in the circumstances of jobless economic growth (Miś, Nózka, Smagacz-Poziemska, 2011).

7. *Unemployment picture on television* The above presented profile of unemployment is based on research carried out by statistical offices and economists, sociologists, social politicians and psychologists. My own research dealt with the question how the main television channels had presented the issue of unemployment and labor market crisis between 1998 and 2005. Based on this, I have distinguished typical frameworks presented by private television (TVN) and public television (TVP1). The former presented unemployment in a detailed framework, defined by me as a framework of labor cost, negative emotions and entrepreneurship. Public television presented facts about unemployment using statistical evidence (thematic framework), put in the governmental and state form and considered them from the point of view of a rational planner (Miś, 2007).

On the basis of research it is carried out between 2008 and 2011; it is found out that unemployment had drawn attention of television broadcasters. Journalists provided information on rises and declines of unemployment in Poland and over the world on a regular basis. They behaved like their American colleagues for whom information on labor market was an important tool for measuring the state of economy and any rise in unemployment was recorded as a clear sign of threat. Most often, the topic of lack of employment was captured in a thematic framework, that is phenomenon presented in quantitative, statistical aspect without humanistic factor, contrary to the other problems presented in the form of human stories (e.g. domestic violence).

During the period of research, i.e. the first seven months of 2010, statements concerning the topic of unemployment appeared on private television TVN day on average every other day and slightly less frequently on TVP1 and TVP Info. One may complete this picture with data from previous years. Since the beginning of the crisis in the U.S.A. and Europe, television viewers in our country were systematically and comprehensively informed about economic and political events abroad that might affect their work activity and material welfare. News services provided news on changes in national labor markets in the European Union and directions of migration as well as protests organized by illegal immigrants in the USA and trade unions and social movements in Spain, Greece and France. Counteracting unfavorable tendencies in the Polish labor market and growing levels of poverty requires a new way of thinking about economy and society as well as innovation in political practice. Existing ways of dealing with unemployment, such as taking early retirement or bridging pensions, keeping young people in education, providing disability benefits, or self-employing turned out to be relatively effective. However, a forecast of demographic change, burden on future generations and state indebtedness are on a collision course with the existing forms of counteracting forced economic inactivity. Public opinion finds out about current state of affairs from the mass media; and information coming from domestic and foreign centers, governments and private centers, research centers and lobbying centers etc. open possibilities of a democratic debate over goals and solutions.

## DISCUSSION AND CONCLUSIONS

Changes in the political system in Poland quite soon brought about change in the social structure, tensions and conflicts arising along lines of new divisions. A great number of conflicts expressed both in public discussions (political, journalistic ones) and in the form of open protests – strikes, demonstrations, and direct actions had their roots in the "new" income stratification within the society and different visions of economic development. The source of principal conflict was a constitutional provision on running the "social market economy" and the *laissez-faire* economic policy run throughout the greater part of the period of changes in the political system. The discrepancies between the Constitution's provisions and the exercised policy were an important confrontational agent due to the contradictions between the axio-normative system declared in the Constitution and the economic and social life in practice. Gardawski (2009) justifies the liberal economic policy of the elites associated with the Washington consensus, referring to Poland's foreign debt and economic retardation of our country. He claims that the model of social market economy – implemented in the Czech Republic from among the former state socialist countries – had a small chance to be successful in Poland due to the lack of professional groups that would be strong enough, and to the dependency on world economic potentates.

Significant conflicts over the past two decades arose over the form of economy (social market economy vs. individualist market economy), issues of privatization (to leave in the hands of state or privatize); and in the first years of the 21<sup>st</sup> century, the question of accession to the European Union became also the area of conflict (pro-Europeanism and anti-Europeanism). Conflicts over class and ownership issues were usually disguised as conflicts over moral and ethical issues. Tadeusz Kowalik, economist, claims outright that Poland lacked 'organized anger' in reaction to forms and goals of transformation, which manifested itself in the passivity of public opinion, weakness of trade unions and social organizations as well as other institutions of social control.

Homogeneity (cultural, religious and ethnic) of the Polish society, egalitarianism of the society of state socialism and historical memory related to the times when Poland lost its statehood influenced the way Poles treat and resolve conflicts within groups. A good example would be the social policy on employment and unemployment. The conflict between various categories and socio-professional groups over the participation in labor market may be compared to a kind of transaction or – according to Drozdowski (2002) to a "tender". It is difficult to consider it as a conscious and purposeful action of main collective actors; yet the outcome proves who has had greater resources and has been more powerful in imposing their will. First and foremost, it should be concluded that the category of "the power of age" turned out to be the strongest; that is people aged from 30 to 50, who were able to block the younger generations from entering labor market and move the older people (especially over 55 years of age) into the retirement and on pensions. Each of these categories got "something in return": the young were offered the possibility (and opportunities) to be educated for a longer time (raising of school leaving age to 18 and pressure to pursue higher education, prolonging the learning period up to 25-30 years of age). The elderly obtained the chance to avoid unemployment by taking early retirement, and easier availability of pensions. They made a rational use of circumstances created by politicians (for which they strove through political choices) and the dynamics of economic life. The fact that age plays the leading role in the struggle for employment is in so far specific to Poland as racial origin or ethnic background play a minor role here. Coming back to Polish circumstances, I wanted to state that inhabitants of cities and villages were also involved in conflicts over labor market participation. In that case, it was the inhabitants of cities who were better at maintaining and creating their jobs, particularly in larger cities. Unemployment in big cities is significantly lower than in medium-sized cities and towns. Employment situation in cities appears to be more beneficial than in villages, therefore sociologists eagerly formulated theses about under-employment in the countryside which reaches over 1 million people who are not registered

with employment agencies. Analysis of conflicts involving employment would not be complete if one would not mention a kind of underdevelopment of our country when compared to other countries of the European Union with developed and stable market economy. In Poland, a lot of jobs (related to house construction, reconstructions and repairs, means of transport repairs, equipment maintenance etc.) are performed by their owners or members of their families, which is highly characteristic particularly of villages and small towns. It is a job, however unregistered and untaxed. Jobs are performed at the expense of time and effort of their performers, most frequently members of the family. However, in western countries those types of jobs are performed in the framework of services provided by specialized businesses, which create higher domestic products. In Poland, a lot of jobs are still performed outside the system of official economy, and people doing these jobs are by no means idle although very often they are registered with employment agencies and receive social benefits.

Mass changes in local, domestic and European labor market followed, during the past two decades, a pattern of strong flows and (weaker) ebbs of unemployment. The phenomenon described by the experts during 1998-2004 as "unemployment import" (Kabaj, 2005) or preferring foreign suppliers and companies that eliminated domestic producers was replaced by the phenomenon that we describe as "unemployment export". It relates to hundreds of thousands of actual or potential unemployed (and people in employment who left their jobs and thus made them available for people employed in other positions or unemployed) who left the country. The emigration wave of that time provoked a number of discussions in the media, conference halls, on Internet forums and at Polish homes. The tone of discussion (shaped e.g. through frequent using of term "brain drain") provided at times evidence of such social perception of this phenomenon which is described by the researchers as moral panic. Public mood was mitigated by researchers involved in migration studies who drew attention to the fact that what was really happening was not a drain but surplus export. Bauman (2006), in turn, noticed critically that export of unemployment force surplus was neither a new phenomenon nor was it particularly peculiar to Poland: economic migrations were correlated with urbanization and modernization since at least the 19<sup>th</sup> century, or simply made these processes possible. Whereas according to Bauman (2006: 157), contemporary unemployment export is a version of "colonialism" in the epoch of liquid modernity. In the case of Poland of the turn of the 21st century, economic and political tendencies were strengthened by the inflow of money from the European Union, allowing for new investments and adjustment to European standards in various spheres of social, economic and cultural life.

In 2008, the financial crisis started in the USA and soon reached also Europe. In our country a number of registered unemployed increased by over half million; the unemployment rate reached a level of nearly 12.3% in 2010. In comparison to other European Union countries, our country's situation significantly improved since in some countries registered unemployment doubled, and elsewhere reached a level of about 20% (e.g. in Spain or in so-called "Baltic tigers", and particularly in Latvia and Lithuania). Unemployment in countries where Poles not so long ago would go in pursuit of work such as Spain, Ireland or Great Britain reached or significantly exceeded the level of unemployment in Poland. The economic policy between 2008 and 2010 turned out to be relatively effective in the struggle against the danger of rapid unemployment rise, as unemployment in Poland did not double as it did in many developed countries of the world. The number of registered unemployed increased by about 600 thousand people during that period, but the government managed to prevent such a deep labor market slump as occurred between 1998 and 2010. The Council of Ministers and the Ministry of Labor and Social Policy prepared so-called "anti-crisis package" and the above-mentioned "Poland 2030 Report" which is used as a kind of roadmap for achieving various goals (including objectives in the field of employment). Political opposition in turn persistently criticized the government's policy and demanded paying particular attention to people who were dismissed or on benefits. Symptoms of political conflict and confrontation

of opposing positions on unemployment counteracting appeared in Parliament. The opposition's standpoint was strengthened by the „Solidarity” trade union (which published its report on labor in Poland) and by the late president Lech Kaczyński who had become an advocate for employee rights.

The last ten years represent a period of intensification of class interest contradictions. Numerous research studies show increasing income differentiation in the spatial (horizontal, e.g. between provinces, districts, communes) dimension and in the social (vertical) dimension. One may cite here data showing changes in indices used to describe income differentiation. The Gini coefficient which is a measure of inequality informs us that contemporary Poland differs substantially from its neighbors and when compared to the Polish society from before 30 years. Differences between those owning the most and those owning the least in Poland (34.9) are much bigger than in rich Germany (28.3) and the Czech Republic (25.8); they are also bigger than in Slovakia (25.8), Hungary (30) or such western countries as the Netherlands (30.9) and even France (Gini Index, 2010). Therefore, in comparison to our neighbors, Polish society is the one with the greatest income inequalities and it seems highly improbable that members of society would not feel, notice, verbalize these differences and would not react to them. Research carried out in the framework of the "Social Diagnosis" project confirms differentiation of incomes because the ratio of the share of income going to the richest 20 percent of households to the share of the poorest 20 percent increased during the entire time the "Social Diagnosis" was conducted (...) this increase in income stratification resulted first of all from the faster pace of growth of highest incomes (Czapiński, 2009 : 352).

Naturally, this process was not a single-line one as political and economic events would happen, such as changes of governments, accession to the European Union, improvement in business conditions on the world markets and complicated the pattern of deepening differences in prosperity between various groups and communities. During this period of modernization, Poles privatized themselves and were privatized, which can be well illustrated by change of relations between "Poland making its living by using capital", "from hired work" and "on benefit" (Marody, 2002). In view of a relatively short period of time (20 years) from the viewpoint of group formation processes and social changes of opposite vectors (making up for a delay in the development of civilization by the accession to the European Union vs. "disaster capitalism" practice (Klein, 2008); shock caused by job loss vs. the EU opening its borders and relatively easy opportunities for getting a job in other European countries), many persons, families, social categories and groups are experiencing a problem of bringing into consciousness their own class position. We can rather talk about "class uncertainty" or "class disorientation" because changes which are global, European, national, regional and local in nature infrequently occurred in the same direction and at the same rate. What we describe as class "uncertainty" refers to the situation where differentiation of economic situation of families, groups and communities did not last too long, income inequalities were compensated by citizens' resourcefulness (whether legal or not, on the open, grey or black market) and/or was suppressed by an ideological message (e.g. relating to the "state under the rule of law" or citizen society) in the circumstances of increasingly globalised markets and postmodern culture.

Statistical evidence informs us that society is more and more divided because their life chances are affected by their social category and class (e.g. it is indicated by the above mentioned Gini coefficient for Poland). The crucial issue here is availability of employment, and difficulties in getting a job result in maintaining solutions which are as a matter of fact only substitutes ("grey economy", large category of long-term unemployed, work migration, encouraging to or insisting on self-employment without legal justification etc.). Lack of employment and low chances to find it are distributed unequally in our society, particularly as it comes to long-term jobs which entitle to social insurance benefits. Therefore the role of public sociology is reminding about the basic importance of employment and unemployment

for the welfare of society. Rafał Drozdowski (2002:355) had written on the subject: „political class is still looking at the labor market through the prism of political importance of particular professional groups, striving to bribe those which seem to them pivotal from the point of view of stability of power”. Jolanta Grotowska-Leder (2007: 129) claimed that „creating new jobs should be the top socio-economic priority of contemporary Poland”. Studies of Polish public opinion provide evidence that people are aware that jobs and employment are of crucial importance for the welfare of individuals as well as social development. Sociologists and social activists should make these opinions heard loud and clearly visible in public discourse.

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# FEATURES OF MIGRATION PROCESSES IN KAZAKHSTAN

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**Abstract:** *Current population of Kazakhstan is the thousand year product of migration processes and sizeable ethnic mixing. Large-scale migration processes of the recent decades have significantly changed the ethnic composition of the population; they have strong regional specificity, and caused enormous damage to the economic and demographic situation of the country. With the passage of time had changed the factors that influence the migration mobility of the population, but the migration potential is still significant.*

**Keywords:** *Migration, Kazakhstan, migration flows, emigrants, immigrants, migratory migration policy*

## INTRODUCTION

Economic globalization and irregularity of countries with socio-economical development has led to the fact, that migration gained unprecedented importance nowadays. According to rating of International Organization for Migration, Republic of Kazakhstan relates to the peace countries, where the strongest migration processes are going on.

The purpose of research is to identify trends and patterns of migration processes in the Republic of Kazakhstan. Main problems of research (in accordance with purpose): Reveal the nature of migration processes and its impact on economy and society; Analyze the reasons of formation emigration and immigration flows in the republic; Find out the migration potential of the republic; Identify strengths and weaknesses of the migration policy of Kazakhstan.

Assigned tasks have predetermined the stages of research: the development of research programs, advance research and hypotheses testing, statistical data analysis, the choice of research methods, and data interpretation. The features of formation of migration flow in the interdependence with factors that contribute to the territorial population mobility of Kazakhstan are the subject of research. Hypotheses of the study: migration potential of Kazakhstan's population is limited; immigration sentiment in Kazakh society in recent years have changed considerably; in republic's international migration have formed a new trend with reducing the number of immigrants and increasing number of immigrants; labor emigration of the population is temporary and mainly characterized for young people.

Testing of research hypothesis has conducted on the basis of statistical data analysis, a questionnaire survey and semi-structured interview. During the research have been investigated a wide range of literature, materials of specialized electronic resources, works of famous scientists. Migration is considered from different perspectives by the authors. Thus, the demographic approach examines migration in terms of population<sup>42</sup>, their gender structure. Historical approach integrates research dedicated to the history migration movements in the various states and regions<sup>43</sup>.

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<sup>42</sup> Sovi A., (1977), *General theory of population*, Vol. 1, Economy and population growth, abridged translation of the third edition of the French F. Okuneva. Moscow: Progress Publishers, p. 503; Laundry A. (1982), *La Revolution Demographique*. Paris. INED; Notestein F.W. (1983), *Speech in population and development review*, 9(1); Valentey D. Kvasha A. (1989), *Basics of Demography*: Textbook, Moscow.

<sup>43</sup> Shelestov, D. (1987), *Historical Demography*: Textbook for universities, Moscow: Higher School, p. 288; Kabuzan V. (1990), *Peoples of Russia in XVIII century, Population and ethnic composition*, p. 84-87; Iontsev B. (1999), *International migration: theory and history of the study* Moscow: Dialog-MGU.



Psychological approach focuses on the study of the motives that determine the migratory behavior of the subject, including migration as a way to meet the need for self-affirmation<sup>44</sup>. Actual questions of migration depending on income, or on motivation to increase mobility of the population are considered within the sociological approach<sup>45</sup>. The theoretical and applied study aspects of migration are the basis of many foreign scientists work<sup>46</sup>. As part of the most universal economic approach migration appears as one of the most important regulators of the working population, as catalyst of labor reallocation that affect the qualitative change in the domestic labor market<sup>47</sup>.

However, despite the fact that the problems of territorial population mobility are reflected in a number of scientific researches, the concept of an integrated approach has not yet been worked sufficiently. In this regard migration as a complex socio-economical phenomenon requires scientific understanding, in order to obtain estimates the intensity and direction of migration flows, and to identify the factors of mobility in Kazakhstan.

## MATERIALS AND METHODS

During the research project have been used scientific and special theoretical methods of learning based on historicism, continuity of knowledge, systematic approach. However, the practical part of the work is based on the use of empirical methods of knowledge: such as statistical methods, and methods of the survey (questionnaires and semi-structured interview). Questionnaire was based on the method of random sampling; was held in Astana, Kazakhstan. In the questionnaire survey were involved 1586 people, the sample is represented by representatives of all regions of Kazakhstan. Interview was attended by 45 people, selected on the basis of whether they have experience of international (foreign) migration.

## RESULTS

Until 1968 the Republic was characterized as a positive migration balance. However, since the early 70s Kazakhstan has turned into a State, with intensively losing population number through migration. Only in the 70s due to migration country has lost 28% of natural population growth, and in 80s 38%. Jump in migration flows falls on 90s. This is due to a change in ethno-political situation, the collapse of the Soviet Union, the formation of new independent states, among them the appearance of borders and customs barriers; break the centuries old economic, cultural and ethnic links. As shown in Table 1, the peak external migration activity in Kazakhstan occurred in 1994, when the external migration processes involved more than half million people. In general, for the period 1991 to 1999, the negative balance of migration exceeded more than in 2 times.

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<sup>46</sup> Miles Kahler (1991), *Economy Without Borders, U.S. Dialogue*, Washington, No. 48, pp. 7-13; Malthus, T. (1993), *Experience law of population, Anthology of economic classics*, in 2 V. M. Economou, p. 13; Samuelson, P. (2008), *Economics*, in Vol. 2, 740 p.; Castles, S., Miller, M. (2008), *The Age of Migration, International Population Movements in the Modern World*, 2<sup>nd</sup> Edition, Palgrave, London; Geddes, A. (2000), *Immigration and European integration, towards fortress Europe?* Manchester, New York, Manchester University Press; Massey, Douglas (1989), *International migration and economic development in comparative perspective*, Population and Development Review, No. 14, pp. 383-414.

<sup>47</sup> Abalkin Works, Compiled Gribanova, A. (2000); Vitkovskaja, G. (1999), *Resettlement in Russia from Central Asia, migration potential and the role of integration process, Migration situation in the CIS countries*, Complex-Progress; Zaiontchkovskaja, J. (2003), *CEI Tendances migratoires de la décennie 1990, populations et migrations CEL*, Russie, Europe centrale et du Sud-Est, Le courrier des pays de l'Est, pp. 4-14; Rybakovsky, L. (2002), *Migration: forecasts, factors policy*, p. 34; Topilin, A. (2002), *CIS demographic potential, migration, labor market*, Moscow, Econ-Inform, pp. 132-133.

Table 1

External migration in Kazakhstan during 1991-1999, in persons				
Years	Emigration	Immigration	Balance (+, -)	Emigration and Immigration
1991	228 473	170 887	-57 686	399 360
1992	317 760	161 499	-156 261	479 259
1993	331 007	111 082	-219 025	442 089
1994	477 068	70 389	-406 679	547 457
1995	309 632	71 137	-238 495	380 769
1996	229 412	53 874	-175 538	283 286
1997	299 455	38 067	-261 338	337 522
1998	243 663	40 624	-203 039	284 287
1999	165 457	37 102	-128 355	202 559
Total	2 601 927	754 661	-1 846 416	3 356 588

*Note - based on the data of the Statistics Agency of Republic of Kazakhstan*

Table 2

Migration flows in the post-Soviet countries', thousands of people							
Countries	Years						
	1992	1994	1996	1998	2000	2002	2004
Azerbaijan	1,76	0,79	0,33	0,35	0,21	-	-
Belarus	6,51	4,72	2,18	5,18	3,32	1,82	0,75
Kyrgyzstan	5,48	4,18	2,68	2,05	0,74	0,58	0,3
Russia	207,96	344,41	138,69	178,03	109,34	80,0	44,22
Tadzhikistan	0,53	0,29	0,11	0,07	0,08	-	-
Turkmenistan	0,96	0,74	0,37	0,42	0,09	-	-
Uzbekistan	10,57	8,35	5,8	2,68	1,3	0,96	0,68
Ukraine	21,55	10,98	4,9	4,65	2,19	1,57	0,76
Total	256,76	375,49	155,67	193,87	117,43	85,26	65,53

*Note - based on the data of the Statistics Agency of Republic of Kazakhstan*

As shown in Table 2, most of emigrants left to Russia: in 1992 total number of emigrants who left the country was 81%, in 1998 (91,8%) and in 2004 (67,5%). The sharp decline in the number moved to Russia in 2004 due to the fact that in 2003 a new law "About Citizenship of the Russian Federation" was accepted. Which equated the citizenship rights of all Russian ethnics from the CIS to foreign citizenships, and this caused a sharp protest from the Russian-speaking population of Kazakhstan. In 2004, for the first 36 years was detected positive balance of migration. The data in Table 3 shows, that Germany, USA, Canada and Israel have the most value of external migration. To these countries was significant migration, due to economical factors (developed economy, high living standards, self-prospects), also due to the peculiarities of ethnic composition of Kazakhstan, immigration policy of Canada and the US. The overwhelming majority of immigrants to CIS countries were Germans. On the eve of the collapse of the Soviet Union, the Germans were the third largest ethnic group in Kazakhstan and their amount reached 5,8% of total population. During the period from 1989 to 2004, the number of Germans in the country decreased 4 times.

Table 3

Emigration from the Republic of Kazakhstan to foreign countries in 2004						
Index	Total	Germany	USA	Canada	Israel	Other countries
Number of leaving country, thousands	18 668	17 277	338	313	251	489
Emigrants percentage, %	100,0	92,5	1,8	1,7	1,3	2,6

*Note - based on the data of the Statistics Agency of Republic of Kazakhstan*

During 2004-2009, the external migration of the population formed a new trend: the number of emigrants started to decline and the number of immigrants increased. Among them 74,5% were Kazakhs and 14,4% Russians. The vast majority of immigrants with 65% were Russian, 11,7% Germans, Ukrainians 8,1%, and Kazakhs 5,5%.

Table 4

Dynamics of external migration in Kazakhstan, people						
	2010		2011		2012	
	immigrants	emigrants	immigrants	emigrants	immigrants	emigrants
Total	41996	26531	38004	32902	28293	29721
Include:						
1. CIS countries	33857	24947	30991	31285	23886	28274
Azerbaijan	699	47	494	44	376	62
Kyrgyzstan	1498	83	1778	89	1138	97
Russia	8232	23490	6626	29832	4935	26998
Turkmenistan	1367	18	1039	22	1352	9
Uzbekistan	21117	318	20142	192	15319	154
2. Foreign countries	8139	1584	7013	1617	4407	1447
Germany	366	973	306	971	212	817
Canada	21	145	32	130	19	168
Mongolia	2606	4	1938	13	329	17
Turkey	285	6	376	12	334	11
USA	43	173	73	196	65	137

*Note - based on the data of the Statistics Agency of Republic of Kazakhstan*

As shown in Table 4, in 2010-2012, the migration situation in Kazakhstan began to change. In 2010, 94% of the emigrants left for post-Soviet countries and the vast majority of them to Russia. From the total number of emigrants to foreign countries 61,4% of citizens went to Germany, 11% to the USA and 9,2% to Canada. This trend has been continued the following years. However, the number of leaving people to Germany was decreasing, but at the same time increased the proportion of emigrating people to Canada. The results of sociological survey conducted from September to November 2013 shows that in Kazakhstan still exists sufficient potential migration. All survey participants are in working age, mostly male. From the total number of respondents 61% are Kazakhs, 18% Russian, 10,6% Uzbeks and Kyrgyz. More than half of respondents have higher education (53,3%), about one-tenth have second higher education degrees (economists, lawyers, farmers, builders). All respondents have personal experience or indirectly (through the entourage) participation in external or internal migration processes (Figure 1).

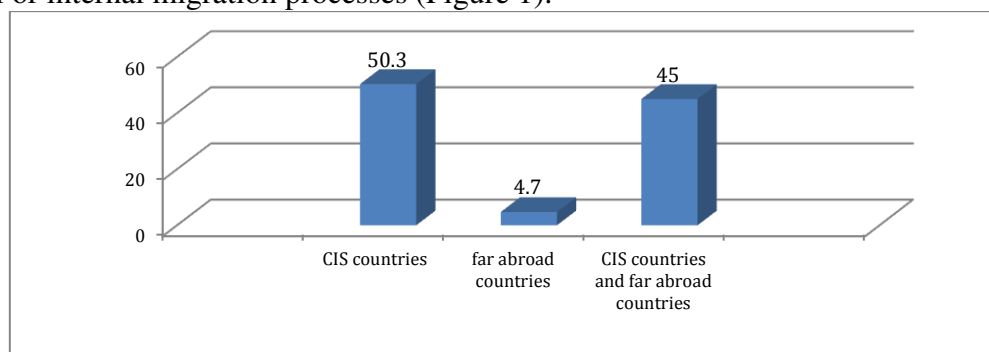


Figure 1: Direction of migration flows entourage respondents, %

Research data indicate that less than a tenth of respondents (8%) is going to relocate, 48,1% consider of moving to another country as a possible option, that is, 56,1% of respondents can be seen as the migration potential. Part of the migration potential is focuses on the CIS countries (43,6%), but the majority (56,4%) – foreign countries, as shown in Figure 2.

Among the CIS countries most preferred country for departure is Russia, and among foreign countries – the U.S., Canada, Germany, Israel and Turkey. Kazakhstan emigration motives: the ability of quickly improvement of financial situation, the possibility of self-realization, career advancement, the ability of entering into "profitable" or ethnic marriage. 43,9% of the respondents not going to leave country for forever, but 40% of respondents in this

category is planning to leave the country for a certain time, and they represents an additional migration potential. Motives of temporary migration: internship, additional education, experience in foreign companies, language skills improvement, adjustment of business ties for later creation of joint ventures.

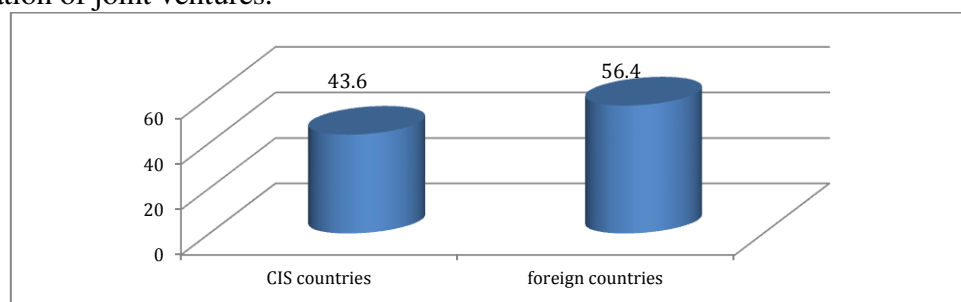


Figure 2: Preferred emigration directions, %

All motives are associated with subsequent career development in Kazakhstan. A temporary labor migration to Russia and foreign countries was felt by potential respondents (18 to 30 years). From the first years of independence migration processes belong to one of the important areas of public policy in Kazakhstan and regulated by a number of basic documents<sup>48</sup>. Table 5 evaluates the effectiveness of migration policy in a SWOT-analysis.

Table 5

SWOT-analysis	
<b>Strengths:</b> <ul style="list-style-type: none"> <li>- acceptance of Law "About Citizenship in the Republic of Kazakhstan" (2004), right of citizenship for qualified professionals regardless of their ethnicity and related guidelines;</li> <li>- reduction of external emigration turnover for the last years;</li> <li>- implementation of new methods of taxation for foreign nationals (2013) in fact of dealing with illegal migrants;</li> <li>- implementation of specialized programs for ethnic migrants</li> </ul>	<b>Opportunities:</b> <ul style="list-style-type: none"> <li>- comprehensive analysis reasons, causing high level of emigration, assessment of emigration impact; sociological research in regions and entire country;</li> <li>- system improvement of statistical accounting and reporting of migration and information reliability;</li> <li>- anticipation of spontaneous migration processes based on predicting potential migration trends &amp; flows;</li> <li>- creating a regulation system for labor migration based on legal framework, organizing inter-departmental cooperations between authorities and execution</li> </ul>
<b>Weaknesses:</b> <ul style="list-style-type: none"> <li>- changing of ethnic, age and gender and social structures as a result of migration in the 90s;</li> <li>- increasing number of people of retirement age, increasing trend of "aging population";</li> <li>- intensive emigration from industrial regions;</li> <li>- insufficiency in raising measures in connection with the adoption Law "About languages in the Republic of Kazakhstan" (1997), which contributed to strengthening immigration attitudes;</li> <li>- lack of measures to prevent the "brain drain", the lack of research into the impact of intellectual emigration, including the assessment of economic loss</li> </ul>	<b>Threats:</b> <ul style="list-style-type: none"> <li>- activation of transit and filter functions for labor migration from post-Soviet Central Asia to Russia;</li> <li>- uncontrollability of illegal migration increased competition on Kazakhstan's labor and housing markets;</li> <li>- migrants monopolization of individual sectors of the economy (services, construction, trade);</li> <li>- unorganized flow of migrants to regions with lower levels of socio-economic development, leads to deterioration of living conditions, reduces adaptation of immigrants, causing population fluidity;</li> <li>- positive balance of migration exchange with countries of Central Asia and negative balance of migration from high educational level, contributes to a quantitative but not qualitative replacement of population</li> </ul>

*Note – compiled by authors*

<sup>48</sup> The Constitution of the Republic of Kazakhstan adopted on 30 August 1995; with changes and additions as of 02.02.2011; Law of the RK. About migration of population, with changes and additions: Adopted 22.07.2011, No. 477; Concept of Migration Policy of the Republic of Kazakhstan for 2007-2015: Adopted 28.08.2007 year, No. 399; Law of the Republic of Kazakhstan. About modification and additions in some legislative acts of the Republic of Kazakhstan on labor migration, the adopted 10.12.2013, No. 153.

## DISCUSSION AND CONCLUSION

The majority of migrations in the history of Kazakhstan had a forced nature and directed by the state. During the formation of an independent Kazakhstan the migration processes developed under the influence of ethno-cultural, political and socio-economic factors. As a result of migration losses demographic destabilization of society has increased, and the number of economically active population has reduced. Mass migrations accompanied by catastrophic losses of qualified professionals led to serious socio-economic and political consequences for the country. Migration losses caused negative changes in qualitative composition of the labor potential of the republic, and formed a trend of "brain drain". Migration losses of industrial regions of the country suffered. The main migration flows formed between Kazakhstan and CIS countries, and the migration of German nationality with Germany. Quantitative replacement by return on historic homeland of ethnic immigrants (repatriates) did not solve the problem of qualitative component of the labor potential. In the context of a specific deficit of local skills and orientation of society in building innovative economy has emerged a trend for import of foreign labor.

World integration processes and aggravation of competition for human resources in an aging population have led to a reduction in the positive net migration and a relative increase of Kazakh citizens out of countries. Inconsistency of qualification and professional structure of demand and supply of labor, considerable differentiation of regional labor markets caused attracting foreign unskilled labor. This trend could adversely affect the country's competitiveness in the future. Increase in illegal migration from Central Asia leads to increased competition in the domestic labor market, deterioration of position of local low-skilled workers and emergence of social tension. Hypotheses of the study were generally confirmed. Statistical data confirm the presence of the leading trend of relative reduction in the number of emigrants. The former Soviet Central Asian countries provided. Near abroad with migrants, whereas immigrants mostly from Mongolia, China and Turkey were presented to foreign countries. In together with illegal immigrants they represent powerful flow of migration, oriented in the assimilation in the local community. Despite the fact that the volume of out-migration in Russia and Germany declined markedly, its balance, as before, is not in favor of Kazakhstan. Migration policies of these countries facilitate ethnic, kinship, historical, and cultural ties. Thanks to the formed Diaspora "Soviet Germans" and "Kazakh Russian" stable migration networks were structured that facilitate the adaptation of immigrants in a new country. The results of the survey confirmed that the country still has a fairly large potential migration processes (hypothesis was not confirmed). The decision to perform a party migration ethnicity, education and profession do not matter.

Migration in recent years has changed public attitudes significantly, which corresponds to the hypothesis of the study. Political stability in the country eliminated migration for political reasons. In emigration the potential economic motives replaced with the phrase "in order to survive" on the desire to improve the welfare. At the same time actualized non-economic factors of emigration (family reunification, self-actualization, ethnic marriage), and factors of ethnic no identical ceased to have meaning. The potential of labor migration flows has increased, aimed at increasing the quality of life. While the expectation for Kazakh citizens in labor mobility are associated with developed countries. Despite regularly taken legal documents in the field of migration, their performance in the field is mainly formal, which significantly reduces the effectiveness of the migration policy of Kazakhstan.

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# IDENTIFICATION OF REGIONAL INVESTMENT ATTRACTIVENESS IN DEVELOPING ITS STRATEGY

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**Abstract:** *Methodology for determining the regional investment attractiveness is discussed in this article. Factor and correlation and regression analysis are characterized in detail. Practical aspects of the implementation of above-mentioned techniques are analyzed here. The problem of selection and determination of integral indicators of regional investment attractiveness is substantiated in our study.*

**Keywords:** *investment attractiveness, integral index, factor analysis, correlation and regression analysis*

## INTRODUCTION

Regional economic growth is a long-term process that requires attention, monitoring every step, timely reaction to changes that affect significantly the result, a comparison of results with planned targets, analysis and synthesis of the results, identifying the causes of deviations from the norm. But the main feature of this process is competently, correctly and efficiently developed strategy.

To consider the certain region in details it is necessary to analyze its elements:

- 1) Current state of the economy;
- 2) Social infrastructure;
- 3) Environmental safety;
- 4) Their structure and development trends.

After analyzing the results, it is necessary to identify potential opportunities and threats of the system as a whole, to find deviations from the planned targets and to reveal the reasons for deviations, as well as to identify ways to achieve the effective regional development.

## MATERIALS AND METHODS

Analysis of scientific publications showed that the current state of Ukrainian regions is rather unsatisfactory. Therefore much attention is paid to the analysis of various indicators which measure the regional state in order to evaluate and to develop the effective strategies to enhance the regional competitiveness.

Authors who are involved in such researches are Gerasimchuk Z. [1], Zgurovsky M., Zvarych I. and Vasilenko O. [2], Vasilenko V. [3], Asaul A. [4] and others.

The current level of development is not sufficient and doesn't have complex character, because implemented measures are realized not systematically and purposelessly with violations and deficiencies [1, p. 55]. Therefore it is necessary to use a systemic approach that includes flexible development management, increasing the competence of managers, adaptability to changes in the external and internal environment, using of modern information technologies, innovative approaches and formation of new mechanisms of state influence on the territorial development. Diagnosis of the regional system reveals the nature, characteristics and dependencies between its subsystems and identifies the main factors influencing the level of its development, using formal methods [3, p. 11].

## RESULTS

Today it is necessary to research the regional attractiveness development, because the increase in investment demand and supply in tandem with innovations are the most effective components of the economic regional development and country's growth. Complexity of the socio-economic diagnosis of current regional development is explained by needs to study the

functioning all of its hierarchical levels. The result of diagnostics is detection of possible threats, risks and challenges, which form a differential diagnosis of the operating parameters [2, p. 51].

To determine the integral index of regional investment attractiveness is necessary to use the proper technique. In this article we proposed to use a factorial procedure, which includes researches a set of factors that affect the investment attractiveness of the region.

A set of economic indicators, transport infrastructure, human resources, financial infrastructure, investment infrastructure and telecommunication infrastructure form a common system of indicators, reflecting the qualitative impact of all factors and characterizing the region as an investment object [4, p. 73].

To determine the influence of these factors on the investment regional attractiveness it is necessary to use statistical methods. Mostly correlation-regression analysis and factor analysis are used to define the investment attractiveness of the region. Characteristics of these techniques are presented in Table 1.

Table 1

Comparative analysis of techniques

Index	Correlation-regression analysis	Factor analysis
definition	classical method of stochastic modeling, which researches the influence of indicators	statistical methods that are applied to research the hidden phenomena in the regional economy, represented by multidimensional sets of observables
mark	statistical set should match the properties of uniformity and mass	method doesn't require apriority division of signs on dependent and independent
accent	identifying the influence of each factor on the result, on the quantification of its impact by elimination other factors	research of internal causes the phenomenon, revealing generalized factors on specific indicators
stages	<ol style="list-style-type: none"> <li>1. Choosing resultative and factorial indicators to assess</li> <li>2. Constructing of multiple regression equation for the assessed factors</li> <li>3. Analysis matrix of pair correlation coefficients to determine significant connections with result</li> <li>4. Checking the significance of the regression equation based on F-criteria</li> <li>5. Checking the significance of individual regression coefficients based on t-criteria</li> <li>6. Exclusion of factors with minor regression coefficients</li> <li>7. Reconstruction of regression model with other factors, all parameters are checked for validity</li> </ol>	<ol style="list-style-type: none"> <li>1. Calculation of correlation matrix for the entire set of indicators; bivariative correlation coefficients is a measure of influence between indicators</li> <li>2. Garbage factors with minor factorial loadings</li> <li>3. Tackling factors to create a simplified structure on all influenced factors</li> <li>4. Interpretation factors, i.e. understanding of the specific content of specific data and the connections between them</li> </ol>

The next step is to use the technique of correlation and regression analysis, using Table 2, which shows yearly values of the factors of investment attractiveness of Donetsk region. Connections between the variables which are the base for analysis and forecasting of socio-economic phenomena are observed.

It is determined by using multiple regression analysis. It is possible to determine the relations between the dependent and independent variables. There is also the effect of multicollinearity, which supposes connection between the independent variables. Multicollinearity is observed if the correlation coefficient equal or more than 0.8.



Table 2

## Indicators of investment attractiveness of the region, yearly

No	Indexes	Year							
		2004	2005	2006	2007	2008	2009	2010	2011
1	GRP at current prices, mln.UAH ( $x_1$ )	45617	5804	72361	92093	117646	103739	128986	161021
2	Sold industrial goods, mln.UAH ( $x_2$ )	91904,20	98396,10	105627,10	137054,94	182892,88	140953,62	203125,40	266744,91
3	FDI in Region, mln.UAH ( $x_3$ )	93,30	84,70	291,5	449,30	173,80	107,80	641,40	368,7
4	Capital investment, Mln. UAH ( $y$ )	8757	11721	13800	20355	26514	16790	18388	32808
5	Innovative activity of enterprises, thousand UAH ( $x_4$ )	996938,3	1955088,2	1785340,6	2639912,1	2740368,4	798053,4	786142,9	2391255,6
6	Investments in fixed assets, mln.UAH ( $x_5$ )	7239,0	9598,0	11728,0	16898,0	22136,0	12985,0	13286,4	25912,8

Multiple regressions are the equation where it is necessary to take into account the influence of several factors on a dependent variable. The equation is (1):

$$y = f(x_1, x_2, \dots, x_n) \quad (1)$$

$y$  – depending variable (result) and  $x_1, x_2, \dots, x_n$  – independent variables (factors).

For objectivity of results it is necessary to use methods of correlation and regression analysis. Resultative variable is an indicator of capital investment. Table 2 shows the designations for the analysis of these factors. The main purpose of multiple regressions is to build a model with a lot of factors while determining the effect of each of them on resultative indicator, and their combined influence on the modeling index [4].

The next step is to analyze of pair correlation coefficients and to test them for multicollinearity. The analysis shows that the most significant effect on the dependent variable makes factor  $x_3$ . To eliminate multicollinearity  $x_1$  and  $x_2$  should be deleted from the model. It is necessary to recheck model for multicollinearity after excluding these variables. After analyzing the correlation matrix it could be concluded that the  $x_5$  is most influential variable. The results of the regression analysis are shown in Table 3.

Multiple correlation coefficient shows the degree of dependence of the independent variables  $x_1, x_2, \dots, x_n$  and the dependent variable  $y$ . Since in our case the indicator is 0.9998 we can see a strong connection. Multiple coefficient of determination  $R^2$  indicates that 99.96% of the results-based variation is explained by the factorial variation  $x_3, x_4, x_5$  and only 0.04% can be explained by influence of other factors, which are not included in the model. It means selected factors significantly affect the index of capital investment that confirms the correctness of their inclusion in the models. The standard error  $E = 504.45$ . Model is acceptable for economic research. To assess the adequacy of the model F-criteria is used, i.e. checking of determination significance coefficient  $R^2$  takes place. Reliability is confirmed, if  $F < 0.05$ . This corresponds to our case. Significance can be checked in another way, which is based on the hit  $F$  in the critical area ( $F_{\text{CRIT}}; +\infty$ ). In our case  $F_{\text{CRIT}} = 5.41$ . It hits the critical interval  $(5.41; +\infty)$ , thus,  $R^2$  is significant. Since  $R^2 > 0.7$ , the variation of resultative index  $y$  is mainly due to the influence included factors.

Table 3

## Regressive analysis of investment regional attractiveness

Regressive statistics								
Multiple R	0,9998							
R <sup>2</sup>	0,9996							
Normed R <sup>2</sup>	0,7994							
Standard error	504,4509							
Observes	8,0000							
Dispersive analysis								
	df	SS	MS	F	Sign. F			
Regression	3	3216969686,9	1072323228,9	4213,94	6,33E-09			
Rest	5	1272353,48	254470,70					
Sum	8	3218242040,4						
	Indexes	Standard error	t-stat	P-stat	Low 95%	Up 95%	Low 95%	Up 95%
x <sub>3</sub>	2,0246	0,98	2,07	0,09	-0,49	4,54	-	4,54
x <sub>4</sub>	-0,0011	0,00	-3,60	0,02	0,00	0,00	0,00	0,00
x <sub>5</sub>	1,3331	0,04	31,59	0,00	1,22	1,44	1,22	1,44

To determine the significance of all coefficients of the regression equation, it is necessary to compare the array's elements in pairs. If the absolute value of the coefficients is more than the standard error, they are significant. In our case we conclude that the coefficients are significant. Equation constructed regression model has the form (2):

$$y = 2.024 x_3 - 0.001 x_4 + 1.333 x_5 \quad (2)$$

Since the regression function is defined, interpreted and justified and the assessment of regression analysis accuracy fits to requirements, we can assume that the model is reliable.

### DISCUSSION AND CONCLUSIONS

After considering the investment attractiveness of Donetsk region it can be concluded quite low development. Factors and indicators of investment attractiveness are low. Basically they decline both in value and in percentage. Correlation and regression analysis showed that the most significant indicator of regional investment attractiveness is the capital investment. In turn, direct foreign investments, innovative activity of enterprises and investment in fixed assets influence significantly on this indicator. For the implementation of the new approach, first of all, it is necessary to assess the current regional state, to identify strengths and weaknesses, i.e. it is necessary to get rid of the "weak link". For the formation of innovative investment strategy of regional development it is necessary to understand the investment process in the region and impediments that hinder the sustainable development there.

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# PRICE DYNAMICS IN UKRAINE: AN ECONOMETRIC ANALYSIS OF CO-INTEGRATION AND ERROR-CORRECTION MODEL

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**Abstract:** *The article deals with empiric analysis of time series behavior of price levels, constructed on the basis of private consumption deflator, investment deflator, government consumption deflator, export deflator and import deflator in Ukraine. Co-integrating relationships have been found and vector error-correction model has been evaluated.*

**Keywords:** *econometric analysis, price level, deflator, co-integration, error-correction model*

## INTRODUCTION

The examination of social and economic development efficiency is based on the analysis of macroeconomic indicators that characterize economic growth rates stability, social equity, employment and inflation. Structural vector auto regressions are used to research the influence of monetary policy innovations on economic processes (Espasa, 2002; Primiceri, 2005). Bernanke (2005) combines the standard structural VAR analysis with recent developments in factor analysis and investigates the monetary transmission mechanism by factor-augmented VAR (FAVAR) methodology. Many researchers forecast price and inflation indexes in different countries of the world on the basis of alternative methods and investigate their combinations (Ang, 2007; Clements, 2004; Croushore, 2010). The research of price indexes block and deflators is an integral part of dynamic macroeconomic structural models of Ukraine (Lukyanenko, 2003). A thorough econometric analysis of dynamics and mechanism of prices and macroeconomic deflator's adjustment is necessary due to the importance of inflation changes influences on the processes in different spheres of unstable domestic economic environment.

## MATERIALS AND METHODS

Methodology approach is based on methods of economic theory and economic and mathematical tools. Econometric methods of analysis of co integration and vector error-correction models have been used.

We will investigate the dynamics of price indexes in Ukraine constructed on the basis of GDP deflator and major components of expenditures: private consumption deflator, government consumption deflator, investment deflator, export deflator and import deflator. In the process of modeling we will use quarterly observations during 2002-2013. The dynamics of price indexes behavior is presented on Figure 1.

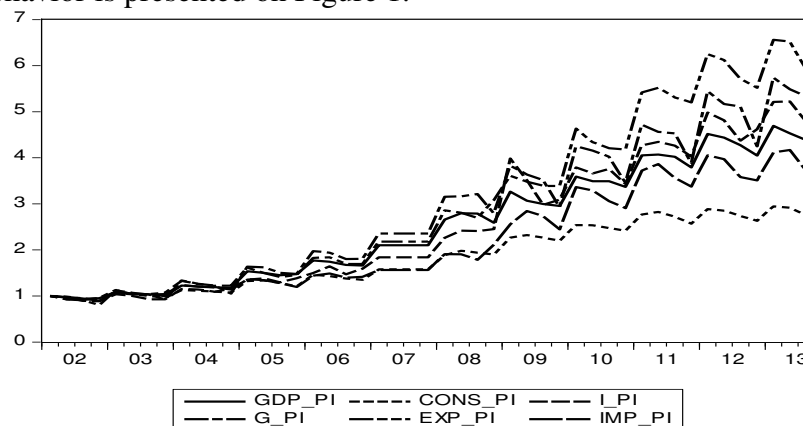


Figure 1: Price Dynamics of GDP, Private Consumption, Investment, Government Consumption, Export and Import

During the last decade export prices and government purchases prices increased the most (5.9 and 5.3 times respectively), whereas import prices increased 4.7 times and investment prices increased 3.7 times. Price growth for goods and services of private consumption was the slowest and accounted for 2.7. In general GDP deflator shows 4.4 price growths. It should be noted that, export prices exceeded the prices of consumer goods and services more than twice that resulted in personal gain of exporters and increased income inequality among the Ukrainians. Besides, faster price growth on government consumption represent inadequate pricing in the process of government purchases and corruption in the sphere of government funds distribution.

Amplitude of fluctuations of different price indexes varies. An average deviation during short-run fluctuations of GDP price index accounts for 3.2%, whereas an amplitude of fluctuations of consumer price indexes, investments, government expenditures, export and import accounts for 2.2%, 3.4%, 3.6%, 3.9% and 2.9% respectively. Since series variances increase with the increase of variable values, in further modeling we will use their logarithmic transformation.

We will conduct empiric modeling of interrelations between different price indexes in Ukraine on the basis of multivariate autoregressive analysis. Since statistical properties of every row of the system are important for joint modeling, we will conduct a thorough investigation of behavior every variable. Figure 1 shows that all price rows are non-stationary, display trending behavior and seasonal movements. The process of removing seasonal movements from a series and extracting the trend component we will conduct by moving average methods. The presence of stochastic trend in the series we will investigate by augmented Dickey-Fuller unit root test. Table 1 presents the results of ADF test for the presence of unit root for seasonally adjusted series.

Table 1

Testing of unit root

Null Hypothesis: Unit root (individual unit root process)			
Level of log seasonally adjusted series of price indexes			
Exogenous variables: Individual effects, individual linear trends			
Series	t-Stat	Prob.	Lag
LOG (CONS_PI)	0.5779	0.9992	0
LOG (I_PI)	-2.5812	0.2903	0
LOG (G_PI)	-0.0616	0.9940	1
LOG (EXP_PI)	-1.3373	0.8655	0
LOG (IMP_PI)	-1.6151	0.7712	0
Differences of log seasonally adjusted series of price indexes			
Exogenous variables: Individual effects			
Series	t-Stat	Prob.	Lag
DLOG (CONS_PI)	-4.4328	0.0009	0
DLOG (I_PI)	-9.2289	0.0000	0
DLOG (G_PI)	-9.2135	0.0000	0
DLOG (EXP_PI)	-7.6135	0.0000	0
DLOG (IMP_PI)	-7.7055	0.0000	0

The analysis of the obtained results show that augmented Dickey-Fuller unit root test is not able to reject the null hypothesis that logarithmic transformation of each price level contains a unit root when their first differences that measures price growth rates are stationary. We will conduct testing for the presence of co integrating relationships among non-stationary price indexes of private consumption, investment, government consumption, export and import by Johansen tests. The result of this sequential testing procedure is presented in Table 2.

Table 2

## Jochansen System Co-integration Test

Trend assumption: Linear deterministic trend (restricted)				
Series: LOG(CONS_PI), LOG(I_PI), LOG(G_PI), LOG(EXP_PI), LOG(IMP_PI)				
Exogenes series: LOG(P_CPI), LOG(P_PPI), DLOG(P_CPI), DLOG(P_PPI)				
Lags interval (in first differences): 1 to 1, 4 to 4				
Co integration Rank Tests (Trace and Maximum Eigen value)				
Hypothesized No. of CE(s)	Eigen value	Trace Statistic	Max-Eigen Statistic	Prob.
None *	0.728657	134.3554	53.47918	0.0005
At most 1 *	0.651916	80.87624	43.26774	0.0015
At most 2 *	0.471146	37.60850	26.11877	0.0457
At most 3	0.207538	11.48973	9.537052	0.6682
At most 4	0.046510	1.952681	1.952681	0.9715

\* denotes rejection of the hypothesis at the 0.05 level

The obtained results indicate 3 co integrating equations between 5 price indexes under research. Logarithms variables of price rows are co integrated of order (1, 1) and the deviation from long-run price equilibrium is temporary in nature. Taking into account the results of price rows co integration research we will estimate vector error-correction model (VEC)

$$\Delta \log Y_t = A_0 + B(1) \Delta \log Y_{t-1} + B(4) \Delta \log Y_{t-4} + G_1 \Delta \log P\_CPI + G_2 \Delta \log P\_PPI + \mu_1 E1_{t-1} + \mu_2 E2_{t-1} + \mu_3 E3_{t-1} + \varepsilon_t, \quad (1)$$

where  $Y_t = (\text{CONS\_PI}_t, \text{I\_PI}_t, \text{G\_PI}_t, \text{EXP\_PI}_t, \text{IMP\_PI}_t)'$  – vector of endogenous variables;  $\text{CONS\_PI}_t$  – seasonally adjusted price of private consumption;  $\text{I\_PI}_t$  – seasonally adjusted price of investment;  $\text{G\_PI}_t$  – seasonally adjusted price of government consumption;  $\text{EXP\_PI}_t$  – seasonally adjusted price of export;  $\text{IMP\_PI}_t$  – seasonally adjusted price of import;  $B(1), B(4)$  – matrices of unknown parameters of the model;  $A_0$  – a vector of intercept terms;  $\varepsilon_t$  – a vector of error terms. Exogenous variables of the model are  $\Delta \log P\_CPI$  and  $\Delta \log P\_PPI$  that measure quarterly price growth rates on the basis of consumer price index and producer price index respectively. Variables  $E1_{t-1}, E2_{t-1}, E3_{t-1}$  are vectors of deviations from estimated long-run equilibrium co integrating relationships;  $\mu_1, \mu_2, \mu_3$  – vectors of speed of adjustment parameters.

As a result of VEC model estimation (1) we have obtained 3 co integrating equations (with t-value in parentheses)

$$\log \text{CONS\_PI}_t = 0.435 + 0.856 \log \text{I\_PI}_t + 0.902 \log \text{G\_PI}_t - 0.339 \log \text{EXP\_PI}_t + 0.676 \log \text{IMP\_PI}_t - 0.037 \text{Trend} + E1_t; \quad (2)$$

(3.5\*) (3.4\*) (-1.2) (-3.4\*)

$$\log \text{I\_PI}_t = 0.152 - 1.452 \log \text{G\_PI}_t + 0.843 \log \text{EXP\_PI}_t - 1.635 \log \text{IMP\_PI}_t + 0.001 \text{Trend} + E2_t; \quad (3)$$

(-4.7\*) (2.5\*) (-6.7\*) (0.1)

$$\log \text{G\_PI}_t = 0.106 - 0.688 \log \text{EXP\_PI}_t + 1.019 \log \text{IMP\_PI}_t - 0.013 \text{Trend} + E3_t; \quad (4)$$

(-3.1\*) (11.1\*) (-2.5\*)

where  $E1_t, E2_t, E3_t$  – the residuals from three equilibrium regressions, \* denotes rejection of the hypothesis of parameter insignificance at the 0.01 level.

According to the Engle-Granger terminology equilibrium relationships (2) – (4) explain causal behavior of prices in different spheres of economy as long-run interrelations between them. Dynamics of price changes in the short run depends on deviations of variable levels of the system from these equations of long-run equilibrium observed in the previous period. The first equation defines long-run equilibrium relationships among private consumption, investment, government consumption and import prices. Price of export variable is not statistically significant in this equation. The second equation combines investment price indexes, government

consumption, export and import, and the third government consumption, export and import. It should be noted that in equations (2) and (4) trend variable is significant As a result of ECM model estimation we have obtained estimates of speeds of adjustment and coefficients of short-run effects presented in Table 3.

Table 3

Estimating results for VEC model (1)

	VAR Equation for				
	$\Delta \log$ CONS_PI	$\Delta \log$ I_PI	$\Delta \log$ G_PI	$\Delta \log$ EXP_PI	$\Delta \log$ IMP_PI
Co-integrating Eq:	Speed of Adjustment Parameters				
E1	<b>-0.4023</b> [-2.44**]	-0.5483 [-0.977]	0.4823 [ 0.961]	<b>-1.1260</b> [-2.94**]	-0.5229 [-1.188]
E2	0.1871 [ 1.969]	<b>-1.3479</b> [-4.156*]	0.1468 [ 0.506]	-0.0072 [-0.032]	0.0860 [ 0.338]
E3	-0.0253 [-0.330]	-0.3147 [-1.204]	-0.3398 [-1.453]	-0.3301 [-1.854]	<b>-1.0218</b> [-4.984*]
Variable	Coefficient				
$\Delta \log P\_CPI$	<b>0.3920</b>	-0.7830	0.6942	-0.6686	-0.9499
$\Delta \log P\_PPI$	-0.0503	<b>-0.7313</b>	0.3210	-0.31462	-0.3922
R-squared	0.8032	0.7859	0.6143	0.6851	0.7634

The estimated coefficients of speed adjustment should imply to converge to long-run equilibrium relationships. As a result of the analysis of significance of coefficients of speed adjustment we have obtained that the prices of consumption and export respond to the previous period's deviation from long-run equilibrium (2). Besides, prices of investment adjust deviations from equilibrium (3), prices of import – equilibrium (4). Negative signs of the coefficients show that variables tend to bridge the gap among them and have an inclination to decrease in case of positive deviation from equilibrium relationships. Prices of government consumption are exogenous and unresponsive to last period's equilibrium error.

We will use the constructed VEC model for testing causality (in the Granger sense) between different price rows. Using Lagrange multiplier test we obtain that short-run changes in export prices cause the changes of prices of domestic private consumption, price growth rate of government consumption cause the changes of prices on investment and import. Changes of export prices influence short-run dynamics of investment prices, whereas changes of investment prices cause changes of export prices.

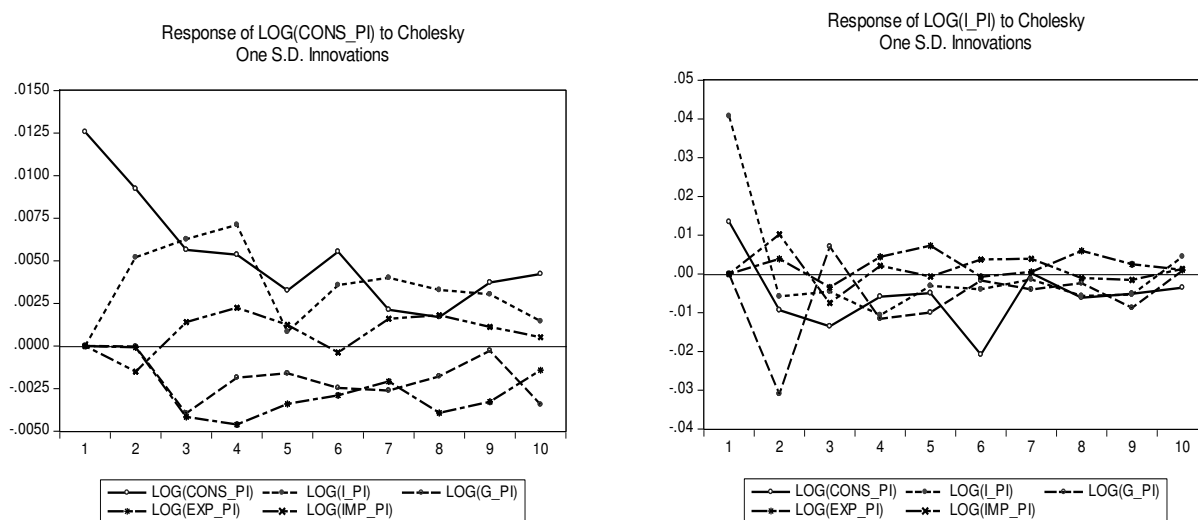


Figure 2: The Impulse Response Function

To obtain the information about the interaction among the variables we will use innovation accounting (impulse responses and variance decomposition analysis). Figure 2 shows impulse response functions of private consumption price index and investment price index to one standard deviation in the price indices of all system variables. Figure 3 presents decomposition of the variance of these variables.

## RESULTS

As a result of empiric research of interrelations of price level indicators constructed on the basis of deflators of major components of expenditures in Ukraine, co integrating relationships have been found. Vector error-correction model that combines estimation of long-run interrelations between different price indexes and dynamics of their short-term behavior description has been estimated. The modeling shows that in the long run there are three equilibrium relationships that determine price dynamics in the economy of Ukraine and the connection between short-run changes in price levels and deviations from long-run equilibrium.

## DISCUSSION AND CONCLUSIONS

The implementation of the constructed model in the structure of integral macro model of Ukraine will give an opportunity to carry out a complex analysis of economic processes in the national economy and perspectives of its development in the short and long run.

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## COMPARATIVE ANALYSIS BETWEEN THE SOCIAL AUDITS AND THE HUMAN RESOURCES AUDIT

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**Abstract:** *The social audit and the human resources audit are independent valuation activities that have proven their usefulness in practice and deservedly won the interest of scientific researchers. Both kinds of audit have many features in common but they also have significant differences that should be taken into consideration by the researches as well by the auditors and the users of these services. Criteria according to which a comparative analysis could be performed between these two specific kinds of audit are: subjects of audit, objects of audit, auditing period, duration of the audit, audit assignors, users of information, and consequences of audit.*

*Conclusions drawn from the comparison show that the differences between the two kinds of audit are of importance in the choice of an auditor, the development and maintenance of the auditor's professional competence, the time they take as well as the audit's planning and price, resp. The study limitations are: First limitation – The performed comparative analysis is based on the practice in the Republic of Bulgaria in the field of social audit and human resources audit. Second limitation – The social audit has been studied as an audit by a third party (an independent audit).*

**Keywords:** *human resources audit, social audit, comparative criteria*

### INTRODUCTION

There are many definitions of the social audit nature in the research literature. Some of them define social audit as "a process of evaluating a firm's various operating procedures, code of conduct and other factors to determine its effect on society. The goal is to identify what, if any, actions of the firm have impacted the society in some way" (Business Dictionary.com).

Raymond Vatier, President of the International Institute of Social Audit considers social audit as "a managerial tool for managing and monitoring that by analogy to the financial or accounting audit gives the possibility to assess the company's ability to manage the human or social issues arising from the professional activity" (J.M. Peretti, J. Achette, 1987).

Similar definition is presented also by Pierre Candou but he emphasizes on the principle of independency that is specific for the auditing activity. According to him the social audit is "an independent activity for monitoring, analysis, assessment and presentation of recommendations for the activity based on methodologies and applied methods that permit, upon comparison with the reference books, to determine first the strengths and problems in the field of using staff in relation to costs and risks. This allows the diagnosing and clarifying the problem causes, assessing their significance and last but not least making recommendations for the implementation of specific activities which are not performed by the auditor himself" (P. Candau, 1986).

Other authors investigating the social audit nature are Alen Couret and Jacque Igalens. According to them the "social audit aims at analyzing each risk factor and provides recommendations on the possible means for their limitation" (A. Couret et J. Igalens, 1998).

There are different definitions of the nature of the human resources audit in literature. According to some of them "The audit of personnel management aims to assess and give conclusion in respect of the compliance of the activity of personnel management with the determined goals and tasks in order to find out the existing problems and provide recommendations and suggestions for their remedy" (Kartashov, 2005).



The human resources audit is determined also as an "assessment of the compliance of the organizational and personnel potential with the organization's development objectives and strategy" (Komissarova, 2002).

According to another definition the "Personnel audit is a periodic expert examination of the status of things in the part of personnel management, including a system of activities related to gathering of information, analysis and assessment of this information and assessment of organization's efficiency to use the labor potential and regulate the social employment relations" (Odegov and Nikonova, 2004).

The analysis of the theory and practice in the field of the social audit allows us to state that by its nature the social audit is an independent valuation activity, performed by a person certified to this effect, of the statements of the organizations concerning the social commitments undertaken and performed by them.

While according to us the human resources audit is a consistent and systematic process by means of which a competent, independent person gathers, analyzes, compares and evaluates evidences related to an organization's statements concerning the human resources activity in order to express personal opinion concerning the level of consistency of a given statement with the established criteria and to present the outcomes to the audit assignors.

The presented definitions contribute to the performance of a comparative analysis between the social audit and the human resources audit. The criteria for the comparative analysis of the differences between both kinds of audit are: subjects of audit, objects of audit, auditing period, duration of the audit, consequences of the audit, audit assignors, users of information.

## MATERIALS AND METHODS

The performed comparative analysis is based on investigation of the practice in the field of social audit and human resources audit as well as on analysis of the definitions of social audit and human resources audit in the researches of Odegov, Nikonova, Kartashova, Sukharev, Komissarova, Couret et J. Igalens, J.M. Peretti, J. Vachette, P. Candau.

## RESULTS

Results from the preformed comparative analysis between the social audit and the human resources audit show that there are similarities between them, however there are also material differences that are significant for both, the subjects of the audit and the users of these services.

Similarities:

- **Independence;** The social audit and the human resources audit are independent valuation activities.

- **Lack of normative obligation for the performance of audit;** The social audit and the human resources audit are not legally regulated.

- **Methods of information gathering;** Both kinds of audit use the same methods of information gathering (interview, monitoring, focus groups, document verification);

Differences:

- **Subjects of audit;** The social audit is performed by certified social auditors. Internationally there are licensed companies having the competence to certify social auditors. In contrast, the human resources audit is most often performed by advisers in the field of human resources and has no certification regime.

- **Objects of audit;** The object of social audit is the social responsibility. In contrast, in human resources audit the object is the activity related to the human resources. All this allows us to state that the social audit is more extensive because its scope includes also the activities related to the human resources.

- **Period of audits;** A particular organization could be subject to social audit several times in the course of one year. This depends on the number of clients of the audited

organization and their requirements concerning the socially responsible business partner. In contrast, the human resources audit is usually performed every 3 years. Indeed, there are exclusions in practice. This audit could be performed at a shorter period of time in the event of suspicions to the proprietor for internal fraud or in the course of preparation of a deal for organization's sale.

- **Audit duration;** Usually the social audit lasts for 1 to 3 days. There are clearly formulated standards for its performance. Of course there is some exclusion that extends the social audit duration, in particular in the cases when government programs are subject to social audit. On the contrary, such standards for the performance of human resources audit are missing. Every auditor has their own methodology for performing the audit and the duration of the human resources audit is about one month usually. Its duration depends on the number of the audited functions and the organization's size.

- **Audit assignors;** Most often assignors of the social audit are the organizations to which the audited organization is a supplier. In spite of this, in the practice are observed cases when the organizations themselves require certified reports by social auditors. In this way the organizations aim to improve their image in society. In contrast, the assignors of the human resources audit are the proprietors of the audited organization or persons who expressed their will to buy the audited organization.

- **Information users;** The information users in the case of the social audit are the proprietor of the audited organization and the audit assignor. In the event when the proprietor of the organization has been the assignor of the audit and the results from the social audit are positive, these results could become generally accessible in order to improve the image of the company in society. In such cases the public is the user of the information. In contrast, in the case of the human resources audit the information is mainly for the proprietor. There are exclusions when the human resources audit has been assigned by a buyer of the organization. In this case the buyer is also user of the information.

- **Consequences of the performed audits;** Discrepancies found as a result of the social audit could stop deals and respectively lead to financial losses of the audited organization. In contrast, the discrepancies found in the process of the human resources audit do not lead to financial losses for the proprietor of the audited organization.

## DISCUSSION AND CONCLUSIONS

Similarities between the social audit and the human resources audit are in the principles observed by the subjects of the audit, the methods of information gathering, the lack of legislation requiring the obligatory performance of social audit or human resources audit. Differences between the two kinds of audit influence:

- **Choice of auditor.** Any organization necessitating the services of a social auditor should require a certificate evidencing the required legal capacity of the particular person. Organizations using the services of auditors in the field of human resources audit should look for persons with proven professional experience in the field of the human resources and audit.

- **Maintenance and development of auditor's professional competence.** The professional training of the social auditors shall include not only knowledge of the functions in the field of the human resources but also: the theory of the stakeholders, the human rights, the principles of Global agreement, the environment, the anti-corruption methods, and the social accountancy. With the human resources audit the professional training is related mainly to the functions of the activity of human resources – job analysis, planning of human resources, personnel recruitment and selection, training, and labor performance assessment, and personnel administration, relations with the syndicates, remunerations, and labor conditions.

- **Time they take, audit planning and price, resp.** The time a social audit (by a third party) usually takes is up to 3 days, rarely 5 working days. The human resources audit takes more time and is a question of agreement between and assignor and the provider. The

number of personnel in the organization and the activities performed in the field of human resources is the determining factor. These differences between the two kinds of audit are important for the planning of the auditing activity and the price negotiation, resp.

Differences in the levels of responsibility should be added to those already mentioned. The publicity of the information from the social audit (in the cases when the purposes of the social audit are the audit report to become publicly accessible) supposes greater responsibility than in the case of the human resources audit when the information on the results from the audit is not public.

The social audit and the human resources audit have their similarities and differences that should gain popularity because they are material information both, for the users of this type of services and the persons who have made their choice for professional realization in the field of social audit and human resources audit.

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# EFFECTIVENESS OF NON-BANK FINANCIAL INSTITUTIONS REGULATION: EVIDENCE FROM UKRAINE<sup>49</sup>

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**Abstract:** *NBFIs need effective regulation system, which provides the protection of financial services consumers and from other hand the uninterrupted activities of financial market. In this article, costs and revenues of National Commission for the State Regulation of Financial Services Markets in Ukraine (NCSRFSM) from have been taken from 2003 to 2012 for performing the analysis of regulation effectiveness. We attempted to find a correlation between costs and revenues of regulation body and number of NBFIs, which are regulated by NCSRFSM. After these recommendations, further development of NCSRFSM is presented here.*

**Keywords:** *financial institutions, financial market, regulation of non-bank financial institutions*

## INTRODUCTION

The role of non-bank financial institutions in financing the investment process of the country gradually strengthens. With increasing their participation in investment projects must also change their approaches to their regulation.

There are different views on the organization of the regulatory process, i.e. the integration of supervisions on the financial market under a single mega regulator. However, there is also an opinion that the introduction of mega regulator is no actual issue for development of financial market, because non-bank financial institutions are on an early stage of development. And for the efficient operation still need a separate regulator, which would also protected the NBFIs from banks. Though, the issue of protection is quite important but has it effectiveness? We want to investigate it in order to know how tax payers' money NCSRFSM spends. And what they (as main beneficiaries) get from this regulation?

**Objectives of the study** are: 1. to compare costs and revenues of NCSRFSM in order to determine and evaluate its efficiency; and 2. to find a correlation between number of NBFIs and budget costs of NCSRFSM in order to determine suitability of its existence.

## MATERIALS AND METHODS

The study is empirical in nature, which includes such indicators as costs of NCSRFSM (expenditures on development, expenditure on utilities, staff salaries, subsistence money), revenues of NCSRFSM (we took only penalties of NBFIs). We have considered all the absolute figures for the research. It is based on the data gathered from annual reports of NCSRFSM, National Bank of Ukraine (NBU), information from books, journals and online publications written by academicians. The investigation has been carried out by using the data between the periods of 2003 to 2013.

Major limitation of this study is insufficiency of accessible data; the main sources are the annual reports of the NCSRFSM. There is no the one standard of reporting of regulation body. That's why it was difficult to cumulate the data. These reports contain different data group's structure report, sometimes they were not full. Moreover, though there have been an ample number of researches regarding the regulation of bank sector's effectiveness but no substantial work has so far been done in Ukraine on the determinants of regulation effectiveness of NBFIs. So there is a scarcity of literature in this area.

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<sup>49</sup>The work is done within the research "Financial and credit leverage of investment process" (state registration 0113U003555 in Ukraine)

## RESULTS

Financial support for regulation of NBFIs in Ukraine is from the general fund of the State Budget of Ukraine. Our research is based on the statements of operations NCSRFSM and analyzed the cost of maintaining the regulator from 2003 to 2012 (see Chart 1).

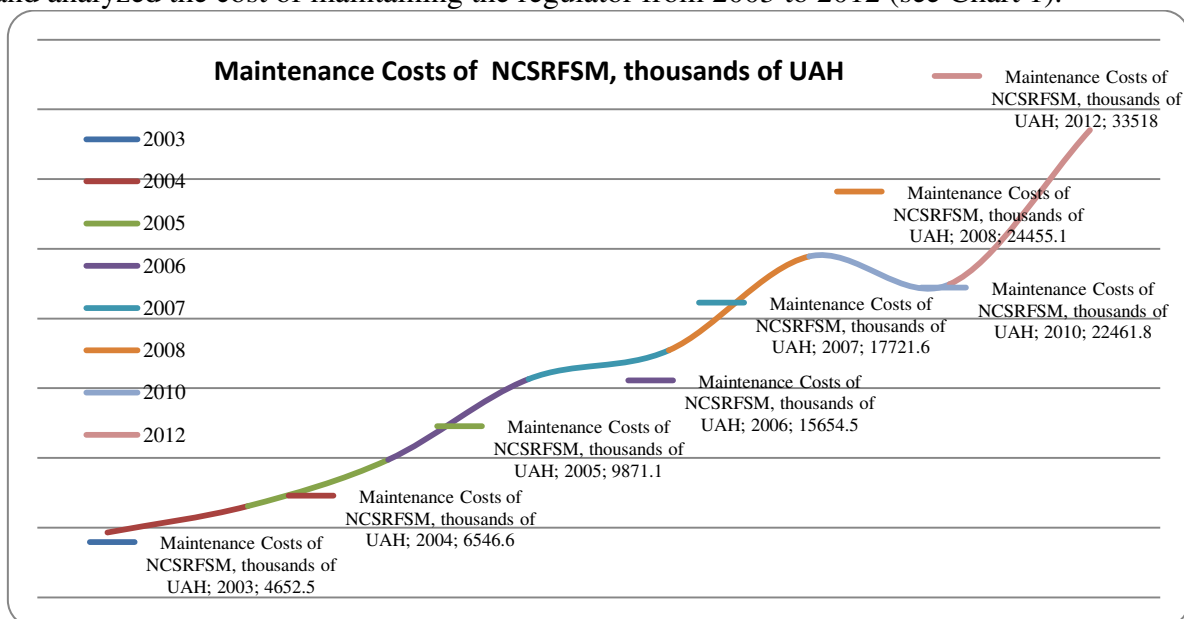


Chart 1: Maintenance Costs of NCSRFSM, in thousand UAH (2003-2012) [1-7]

As you can see, the cost of the foundation only increased. Only 2010 showed negative growth compared to 2009. This supports the argument that was put forward by us that under the difficult economic situation of the state begins to save on regulation – just when do not need. If we analyze the cost structure over the years, we will have the following:

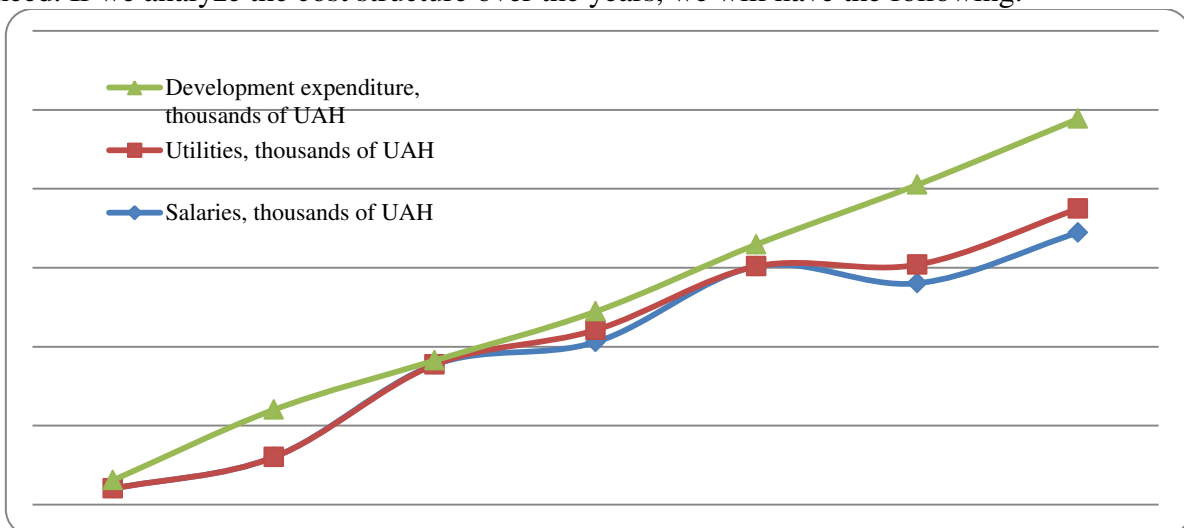


Chart 2: The cost structure of NCSRFSM [1-7]

However, funding NCSRFSM, although growing, but does not provide a full implementation of the commission's functions. Underfunding problem existed from the beginning of the creation of a regulatory body. However, it is not as deep as it seems. So, if you look NCSRFSM's report in 2012, the actual funding is nearly 95%.

In our opinion, the cost of regulation should be correlated with the increase in the number of NBFIs [10]. Is it true? To do this we need to analyze the corresponding period growth dynamics NBFIs and using methods of economic-mathematical modeling to determine the correlation and its strength.

The basis of cost NCSRFSM we took data from 2003 to 2012 (Table 1).

Table 1

## Dynamics NCSRFSM costs and the number of NBFIs [1-7]

Indicators	2003	2004	2005	2006	2007	2008	2010	2012
NCSRFSM costs, in thousands UAH	4652.5	6546.6	9871.1	15654.5	17721.6	24455.1	22461.8	33518
Number of NBFIs	1589	1332	1612	1745	1913	2016	2008	2041

As shown in Table 1, the dynamics of these two parameters has a positive upward trend. Instead, only the data on compliance costs does not give us answers to questions about the effectiveness of regulation and supervision of public institutions. After analyzing data from 2003po 2012, we tracked the number of fines given NBFI (revenue in the budget of the NCSRFSM activities) and the number of fines imposed (Table 2).

Table 2

## Penalties and earnings the Budget of regulatory and supervisory activities of NCSRFSM [1-7]

	2003	2004	2006	2007	2008	2010	2012
Earnings, in thousand UAH	122.5	No data	503.5	No data	661.84	4328.0	2500.0
Number of penalties to NBFIs	16	263	423	334	332	1456	434

However, this data is enough to carry out a full analysis of the effectiveness of the NCSRFSM. Nevertheless, in terms of limited statistical array, we, nevertheless, managed to build a graph which shows the revenues and costs of maintaining NCSRFSM (Chart 3).

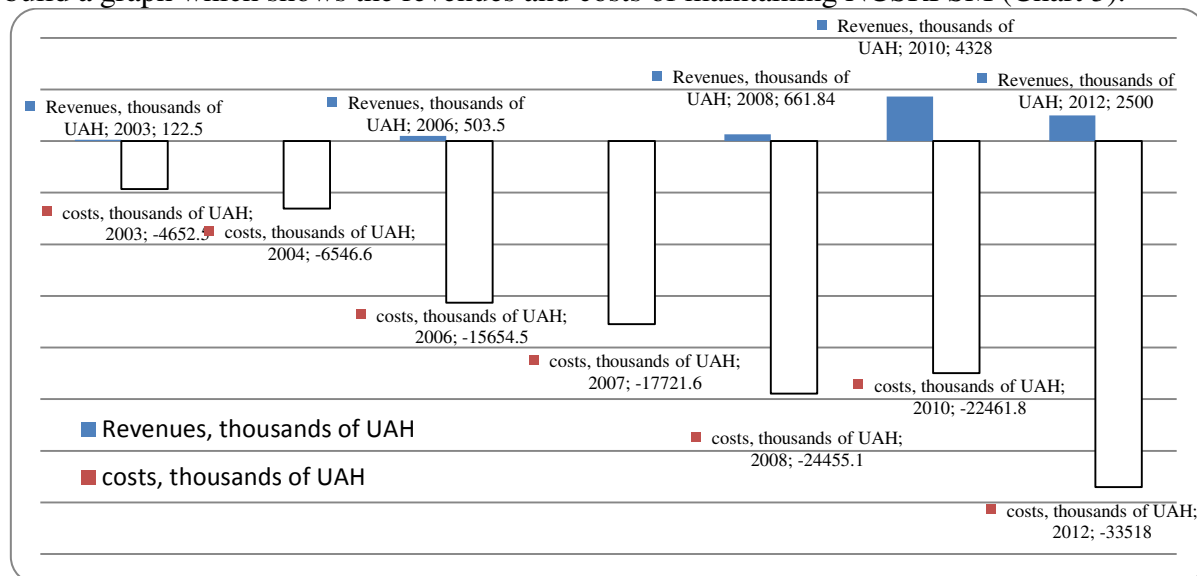


Chart 3: Costs and revenues from activities of the NCSRFSM [1-7]

So, for years of its existence, the maintenance costs of the regulator only increased against the meager revenue from fines for NBFIs (NCSRFSM does not other information on the flow of its activities). So some questions appear about its work. Among them are whether its activity is effective? Are the costs of maintaining the NCSRFSM accord to a number of financial institutions in this segment of the market; actually is there a need for such regulator body with incorrect reports?

Speaking of efficiency, we have determined that it is available when the costs of regulation are less than revenues as a result of this regulation [11]. As the chart 3 where we compare costs and revenues, there is no such effectiveness. Some may accuse us of unilateral attitudes to use only the quantitative approach. If we take into account other aspects of NCSRFSM, such as legislative, then, in our opinion, its performance, though difficult to measure, but in fact it is also low. Development and implementation of legislation often is a lengthy process, the benefits of which, unfortunately, difficult and sometimes even impossible to determine. Also we tried to answer the following question: compliance costs to the number

of NBFIs. By using correlation models define the relationship between these indicators and their strength.

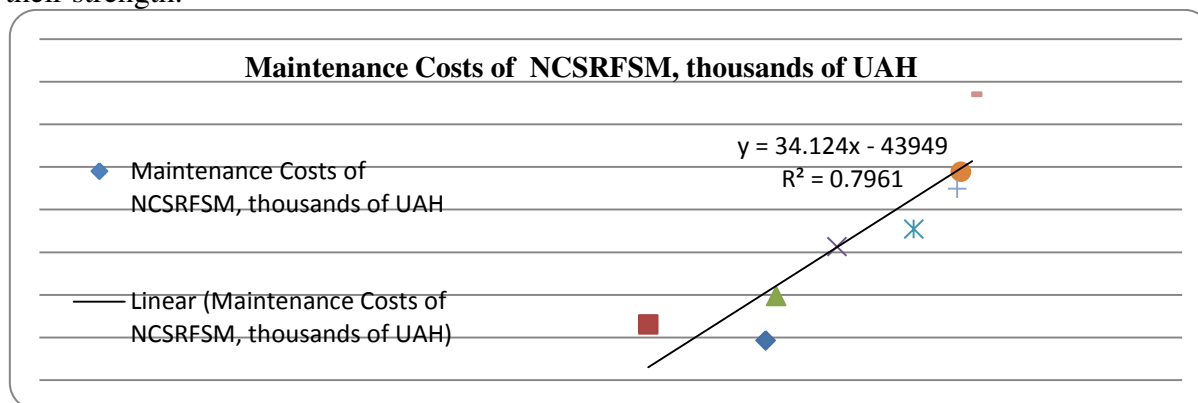


Chart 4: Compliance of the number of non-bank financial institutions to costs of NCSRFSM

Note that the relationship between these indicators exists, and it is quite strong, as evidenced by the fairly high correlation ratio (about 0.8). However, the calculated data do not give us information on compliance costs for authorized regulation body. By comparison, number of banks in Ukraine in 2013 was 180[8], while NBFIs 2074 [9]. The expenses of the National Bank 2,123 billion UAH [8], while for NBFIs 0.34 billion UAH [7]. We have a picture, the number of banks over smaller NBFIs nearly 11 times, and the cost of maintaining the NBU is higher than the cost of NCSRFSM up almost 63 times! Does the government is interesting to develop sector of NBFIs? We think no. Moreover, these disproportion costs of regulation of financial institutions may be the cause of low efficiency of NCSRFSM. Insufficient funding of the regulator device leads to staff lack of relevant departments. Workers simply have not time to cope with the flow of documents from market participants, and thus the regulator does not perform its functions.

## DISCUSSION AND CONCLUSION

It is logical to conclude this study by telling about necessity of NCSRFSM. The above picture shows that the course is pessimistic, and could conclude the transferring NCSRFSM functions, for example, to NBU. But given the bias regulator of banks, it will lead to the actual destruction of financial institutions – banks' potential rivals – based on a loan: credit unions, pawnshops, leasing and other financial companies.

It can't be done as NBFIs fill the gaps at financial market which banks cannot or do not want to fill them. Therefore, in our view, despite this deplorable situation NCSRFSM should work independently and develop segments of the financial market for the benefit of society.

Then there is the issue of increasing the financial support of the regulator, the need for which is extremely critical. In countries such as Hungary, Poland, Austria, Canada, Australia, UK and others, regulators of financial services and additional funding by financial institutions, which, in turn, benefit from the provision of quality regulation.

The introduction of international best practice funding authorized body in the sphere of regulation of financial services through contributions in cash nonbank financial institutions supported by international financial institutions and ensures efficient operation of the regulator, stability and reliability of the financial services market.

However, implementation of these practices can significantly affect the very essence of market regulation of non-bank financial institutions.

Since the regulation is based on a commercial basis, may not be exercised in the public interest and in the interests of those who gives money. This, in turn, calls into question the feasibility of the existence of such a body.

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# INNOVATIVE APPROACH TO THE IMPROVEMENT OF MOTIVATION SYSTEM OF MANAGERIAL WORK

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**Abstract:** *This article is dedicated to the analysis of innovative theoretical and methodological principles for creation of effective motivation system of managerial work. A system of incentives for managerial work was offered. It was analyzed the components of incentive system of managerial work. The conceptual model of managerial work motivation in the context of incentives was developed.*

**Keywords:** *motivation, employment incentives, compensation package, personal incentives, reference incentives*

## TIMELINESS OF THE TOPIC

At recent times of development the majority of fields of social life seek to build a new system of successful performance. Therefore, until today relevant are the development and implementation of the systems for managerial work motivation as the most efficient catalyst in improvement of labor activity of the personnel and the enterprise in general.

Building of the system for managerial staff motivation lies in creation of a comprehensive system for managers' motivation, development of recommendation (step) package in the enhancement of their motivation, sequential progressive implementation of which shall ensure desired outcome in long-term perspective. Therefore it is necessary to analyze incentives of the managers that make them fulfill the set tasks. In order the motivation system might be effective it is necessary to apply innovative scientific and technical approaches.

The aim in writing this article is to develop motivation system of managerial work in the context of incentives.

## ANALYSIS OF THE LATEST RESEARCHES AND PUBLICATIONS

The study of the world and national specific literature devoted to the theory and methodology of personnel motivation, practical aspects of personnel motivation management attests doubtless interest of the scientists to this issue. The problem of personnel motivation is explicated in a diverse and substantial manner in the works of D.A. Ashyrova, I.A. Batkayeva, M.A. Volgin, O.M. Volgina, B.M. Genkin, and A.Ya. Kibanov, A.M. Kolot, E. Vlasova, E.A. Utkin, T. Kopachevska, K. Nefedova, A. Zeranova, V. Kusakin, A. Sardaryan, A. Kredisov, as well as J. Atkinson, V. Vrum, F. Herzberg, K. Lewin, E. Lawler, F. Lutens, A. Maslow, D. McGregor, D. McClelland, L. Porter, H. Heckhausen and others. But in economic literature nowadays the problem of managerial work motivation is not sufficiently considered in term of quantitative analysis that will give an opportunity in an unbiased manner to analyze the actual situation at the enterprise.

**Primary material lay-out:** Analyses of scientific literature and conducted surveys have shown that recently many companies have paid considerable attention to the system of managers' motivation. However, well-thought-out and well-organized system of motivation is an effective tool both for the attraction of new managerial personnel and for the job stabilization. Therefore, it is necessary to solve the following tasks: coordination of managers' own goals with the goals of the organization and personnel; reduction in expenses for the search, recruitment and adaptation of managerial personnel; retaining of highly skilled specialists; solution of the most important issues in human resources management [5].

As a general principle, it is applied the system of incentives which have a short-term influence, ensure enduring effect and are determined by human needs, both material and non-material, and a habit [3].

In most cases the object of managerial work motivation on his own chooses those reasons that motivate him to work for the company. He determines his needs, motives, desires for the job position and organization of working places. O. Stakhiv offered the following algorithm for the analysis of motivation system (Chart 1) [4]:

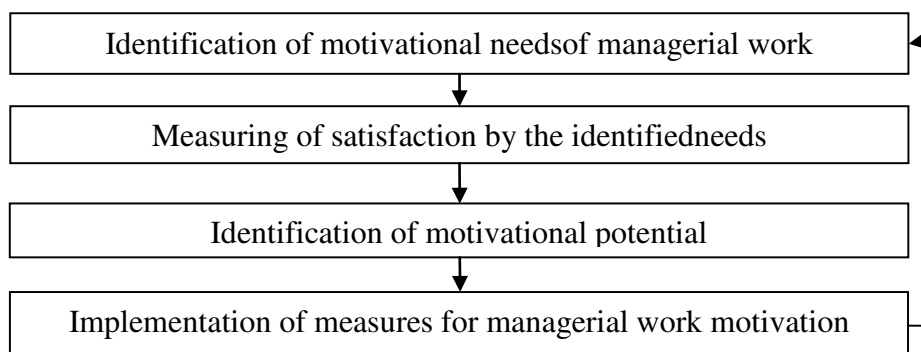
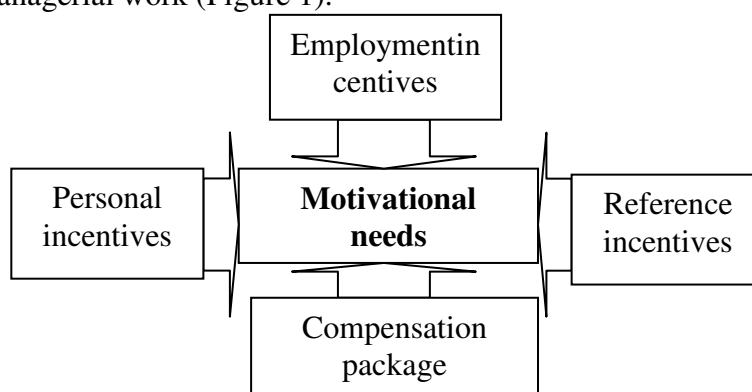


Chart 1: System of motivation

Motivational incentives are used to meet the needs. Let's consider motivational incentives for managerial work (Figure 1).



Picture 1: System of motivational incentives for managerial work

To make this system work efficiently it is necessary to analyze in detail each component of motivational need.

**Personal incentives:** Upon creating system of motivation, correct approaches, methods of influence upon the object of motivation are being searched, which could in the most effective way have an influence on him and motivate him to highly productive labor. The question now arises of why do people do anything? To answer this question V. Kusakin offered to build the following scale (Table 1) [2].

Table 1

Motives that stimulate a person to work

Level	Basic motives	Description
Level I	Sense of duty	This sense is the strongest motive which controls a person and depends on the contribution made by the person. If a manager helps his subordinates to work hundred-per-cent, the greater the subordinate shall maintain the sense of duty and pride for his company and each member.
Level II	Interest	Job for the sake of interest takes the first place for those people who have already satisfied their basic, mainly financial, needs. The manager by placing correctly priorities and values may increase the amount of interest to the job, so in such a way he will increase company's rate of development
Level III	Self-profit	The managers may at their own discretion to meet personal needs by analyzing which personal profit he wants to reach: free-of-charge accommodation, food, career growth, short distance to the place of work, a possibility of a company car provision, etc.
Level IV	Money	Money is freedom. It mainly takes the first place among youth, students who are very ambitious, full of desires and plans which they would like to turn into reality.

**Reference incentives:** A. Zeranova by the type of reference explains correlation of priority of own and another's point of view while making a decision and self-appraisal of a person [6].

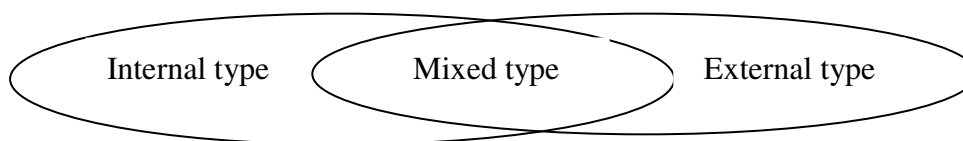


Chart 2: Principal types of person's references

In the works of A. Zeranova it is mentioned if an employee has an external type as a prevailing one, he is more inclined to "accurate" work. He will work according to the regulations; will be in a need of approval of his work by the managers and co-workers. This type of an employee is lacking confidence; it is of great importance to him what other people think of him and his work. It is relatively easy to motivate an employee with the external type of references, as well as it is easy to alter his viewpoint.

If internal type prevails, above all he will be worried with his own viewpoints and actions. He will rely on his own experience, professionalism, knowledge and skills. Such a person is not easy to be persuaded in changing his viewpoint and sometimes even impossible to do that. The reason for such behavior is a high sense of responsibility and absence of fear of it. It should be taken into account in the course of the development of motivation system. The mixed type is the most versatile as one type is shown better than the other.

**Employment incentives:** Every person is individual and each person has his own individual need which he wants to meet by working for an enterprise. But choosing a place of work we do not think of all aspects of motivation system at the enterprise but rather pay attention only to those which are of greater importance to us at that moment according to our personal and career expectations (Table 2) [1].

Table 2

Personal career expectations of the personnel of small business

Group title	Short description of the group	Priorities of career growth of the object of managerial work
Recent graduates	These people are more ambitious and their goal is career growth; they already have some experience in certain work and want to try themselves in more responsible activities which demand interdependency and responsibility for the result	Fulfillment of significant tasks; decision-making; recognition of the results of their work
Highly qualified specialist	This category of people has already reached good professional results and is not inclined to change type of activity; they already speculate concerning the future	They set values upon stability, an opportunity of horizontal development, family; availability of a pension plan at the company, special programs directed to obtain relevant benefits for the employee's family members
Young mothers	After a child is born in the family, the needs and priorities of the woman are changed, especially in terms of career	Availability of flexible working hours, medical insurance, availability of company's kindergartens shall be more attractive to her at this stage

Non-material motivation stimulates to reach better results in long-term perspective, allows better revealing and implementing of working potential. It is necessary to mention that non-material measures for personnel motivation do not demand any significant expenses.

**Compensation packages** provide for both material and non-material component, that is why it is an effective tool of influence upon employees.

It is possible to solve the following tasks with the help of compensation package: 1) control over turnover of staff; 2) increase of managerial work motivation; 3) increase of labor production index; 4) provision of favorable social and psychological climate in the team; 5) building of positive image of the company on the market. The structure of compensation package is shown in the Table 3 [1].

Table 3

Structure of compensation package

Elements of the structure of compensation package	Contents
Benefits defined by the law	Payment of principal, additional, social and other vacations, sick leave payment
Benefits related to the health of the employees	Medical insurance, life insurance, payment of expenses for lunch, gym, rest, maternity allowance
Benefits related to the comfort of the employees	Payment of transportation, mobile connection, company car, accommodation, concessional lending program for accommodation or personal needs
Benefits related to the education of the employees	Payment for professional education, trainings, advanced training courses, language courses
Benefits related to the cultural events	Corporate events, payment for visiting theatres, concerts, exhibitions

Thus, incentives are the crucial elements in the course of creating a system of motivations. Using innovative and individual approach the conceptual model of managerial work motivation shall be as follows (Chart 3):

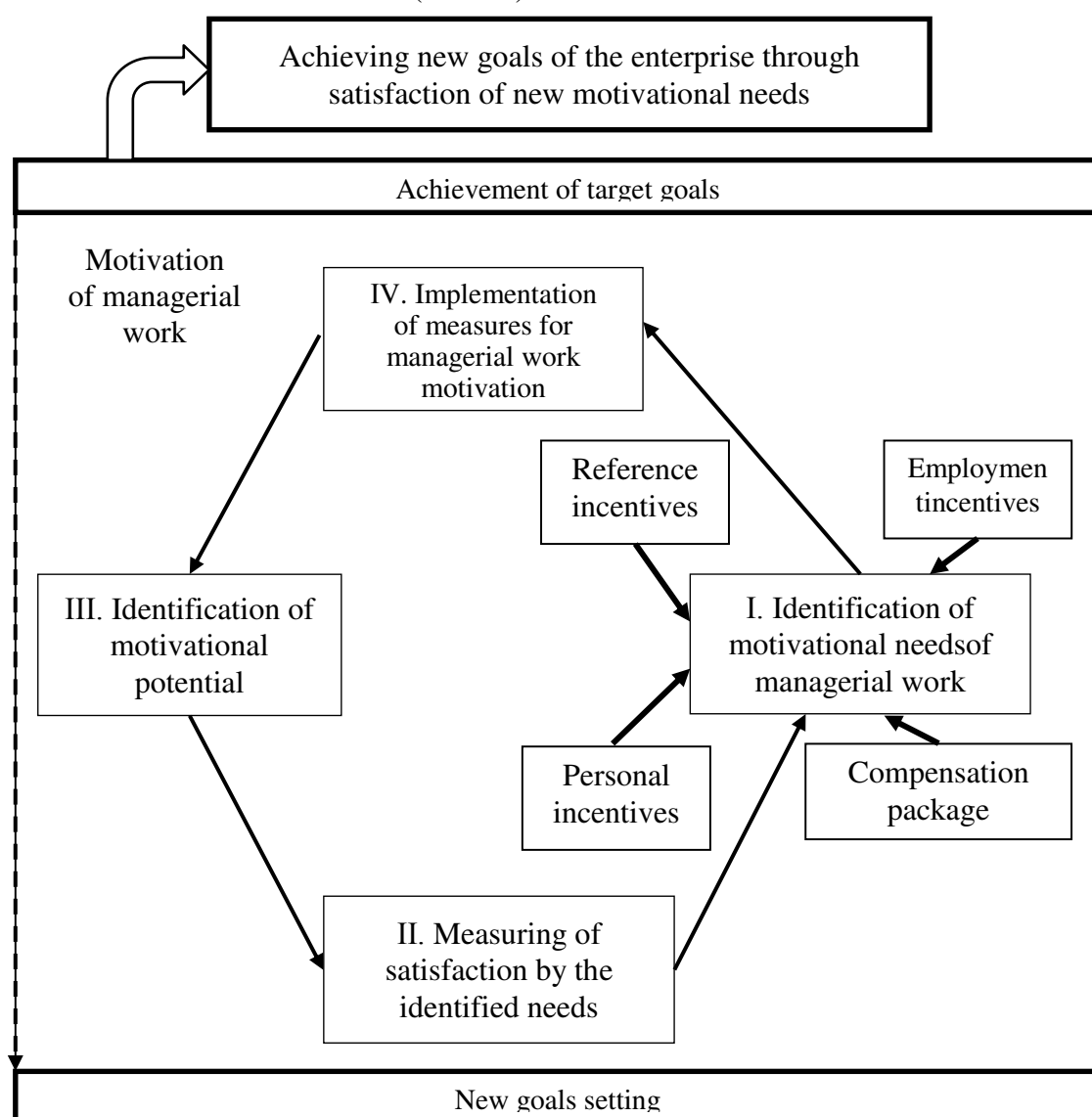


Chart 3: Conceptual model of managerial work motivation within the context of incentives

## DISCUSSION AND CONCLUSIONS

Carried out analysis allows to draw a conclusion that the creation of an effective motivation system of managerial work depends on many factors which have an influence

upon it. The manager of the enterprise can build an effective system of motivation relying on the incentives: 1) employment incentives (recent graduates, highly qualified specialist, and young mothers); 2) reference incentives (external type; internal type; mixed type); 3) personal incentives (money; self-profit; interest; sense of duty); 4) compensation package (benefits defined by the law; benefits related to the comfort of the employees; benefits related to the health of the employees; benefits related to the education of the employees; benefits related to the cultural events).

While building managerial motivation system the manager should remember that each and all objects of managerial work may not be motivated in the same way. This will help him to make motivation system to be economically effective.

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# UNTERSTÜTZUNGSMAßNAHMEN DER EU ZUM BEITRITT KASACHSTANS ZUR WTO

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**Abstrakt:** *In folgendem Artikel wird der Beitrittsprozess Kasachstans zur WTO dargestellt. Es werden die Verpflichtungen Kasachstans im Rahmen des WTO-Beitritts erläutert. Desweiteren werden die Unterstützungsmaßnahmen der EU zum Beitritt Kasachstans zur WTO beschrieben und dargestellt.*

**Keywords:** *WTO; Kasachstan, Beitritt, EU, Handel, Auswirkungen*

## EINLEITUNG

Am 26. Januar 1996 reichte Kasachstan in einem ersten Schritt den förmlichen Antrag auf die Aufnahme in die WTO beim Generaldirektor ein. Im Februar 1996 bekam Kasachstan den Beobachterstatus. Im selben Jahr wurde die Arbeitsgruppe zur Aufnahme der Beitrittsverhandlungen gegründet, um die kasachische Handelsgesetzgebung und die kasachischen Institutionen im Kern mit den WTO-Regeln und Übereinkommen in Einklang zu bringen<sup>50</sup>. Momentan besteht die Arbeitsgruppe aus 36 Ländern<sup>51</sup>. Im Juli 1996 reichte Kasachstan ein Memorandum ein, in dem das kasachische Handelssystem beschrieben wurde. Für die Koordination der Beitrittsverhandlungen wurde 1996 eine Kommission gegründet. Im März 1997 fand das erste Treffen der Arbeitsgruppe statt. Danach folgten im Oktober 1997 sowohl das zweite als auch das dritte Treffen. Bei den Treffen ging es stets darum, wie Kasachstan die WTO-Regeln und Übereinkünfte übernehmen und an die WTO-Anforderungen anpassen kann. Besondere Bedeutung nahm die Diskussion über die zahlreichen Verpflichtungen ein, die Kasachstan vor dem Beitritt zur WTO einzugehen hat. Die Verpflichtungen wurden im Bericht und im Protokoll der Arbeitsgruppe "Beitritt Kasachstans zur WTO" formuliert. Sie erstrecken sich auf tarifliche und nichttarifliche Maßnahmen im Agrarhandel und im Handel mit gewerblichen Waren (Verpflichtungen im Rahmen des GATT) sowie im Handel mit Dienstleistungen (Verpflichtungen im Rahmen des GATS)<sup>52</sup>. Der nächste Abschnitt erläutert diese Verpflichtungen näher.

## Verpflichtungen Kasachstans im Rahmen des WTO Beitritts

Gemäß der Meistbegünstigungspflicht verpflichtet sich Kasachstan, einem anderen Land gewährte Handelsvorteile wie Zölle, Ein- und Ausfuhrverfahren auch jedem anderen WTO-Mitgliedsstaat bedingungslos zu gewähren. Keine Diskriminierung ausländischer Güter ist gestattet. Kasachstan muss sich dem Grundsatz der Meistbegünstigung unterwerfen, und die Zölle senken. Kasachstan verpflichtet sich, die Präferenzen bei Einfuhrzöllen zu beseitigen und den Einfuhrzoll zu senken. Momentan hat sich der Einfuhrzoll für alle Waren von 12% im Jahr 1995 auf 7,9% im Jahr 2004 reduziert. Der Einfuhrzoll für landwirtschaftliche Produkte beträgt 12,4% und für Industriegüter 6,7%. Im Vergleich zu anderen Ländern hat Kasachstan deutliche Fortschritte erzielt. Vergleichsweise beträgt der Einfuhrzoll in Kanada für landwirtschaftliche Produkte 7,7%, und für Industrieerzeugnisse 5,7%.

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<sup>50</sup> Vgl. World Trade Organization, [www.wto.kz](http://www.wto.kz) (Stand: 23.03.2014).

<sup>51</sup> Kirgistan, Georgien, Pakistan, Türkei, China, Korea, Oman, Japan, Kuba, Mexiko, Norwegen, Honduras, USA, EC, Kanada, Australien, Schweiz, China, Brasilien, Dominikanische Republik, Malaysia, Ägypten, Bulgarien, Indien, Mongolei, Paraguay, Israel, Kolumbien, Indonesien, Armenien, Neuseeland, Moldawien, Taiwan, Thailand, El Salvador, Jamaika, Sri Lanka, Panama, Guatemala

<sup>52</sup> Vgl. World Trade Organization, [www.wto.kz](http://www.wto.kz) (Stand: 23.03.2014).

In den USA beträgt er für landwirtschaftliche Produkte 10,9% und für Industriewaren 4%<sup>53</sup>. Laut der zweiten Ausprägung des Primär-Prinzips "Grundsatz der Inländerbehandlung" müssen sowohl kasachische als auch ausländische Waren in steuerlicher und wirtschaftlicher Hinsicht gleich behandelt werden. Kasachstan hat sich bereit erklärt, seine Märkte für ausländische Unternehmen zu öffnen. Kasachstan verpflichtet sich weiter, alle Beschränkungen im Vertrieb für Groß- und Einzelhandel abzuschaffen. Ausländische Unternehmen sollen dann gewerbliche Waren und Agrarerzeugnisse frei importieren und nach Kasachstan exportieren können. Desweiteren verpflichtet sich Kasachstan, sämtliche Formen der Ausfuhrsubventionen gewerblicher Waren nach dem WTO-Subventionsübereinkommen abzuschaffen. Dazu gehören auch diverse Quoten und Subventionen von landwirtschaftlichen Erzeugnissen. Außerdem hat sich Kasachstan damit einverstanden erklärt, keine Exportsubventionen zu erteilen<sup>54</sup>. Diese umfassende Verpflichtung findet auch im kasachischen Dienstleistungssektor statt. Gemäß den Regeln des GATS (General Agreement on Trade in Services) verpflichtet sich Kasachstan, auch den Dienstleistungssektor sowie den Banken- und Versicherungssektor schrittweise zu liberalisieren. Alle geografischen Beschränkungen bezüglich der Durchführung von Transaktionen in inländischer Währung sollen abgeschafft werden. Ausländische Banken erhalten die Möglichkeit, nach dem Beitritt Kasachstans zur WTO, sich in Kasachstan niederzulassen und mit kasachischen Unternehmen Bankgeschäfte in kasachischer Währung durchführen zu können. Der Wertpapierhandel für ausländische Banken und Fondsverwaltungsgesellschaften wird freigegeben und somit allen WTO-Mitgliedern, Einzelpersonen und Unternehmen zugänglich sein. Weiterhin hat sich Kasachstan verpflichtet, dass ausländische Versicherungsunternehmen einen leichteren Zutritt zum kasachischen Markt erhalten. Ebenso verpflichtet sich Kasachstan, das TRIPS (Trade-Related Aspects of Intellectual Property Rights) Übereinkommen ab dem Beitritt zur WTO voll anzuwenden. Damit werden sich die Möglichkeiten der Inhaber von Copyright-Rechten, Markenzeichen, Patenten und anderen anerkannten Rechten an geistigem Eigentum, ihre Rechte in Kasachstan geltend zu machen, verbessern.

Desweiteren verpflichtet sich Kasachstan, sämtliche Gesetze und Verordnungen, die die drei Bereiche GATT, GATS und TRIPS sowie die Kontrolle von Wechselkursen in irgendeiner Form betreffen, in mindestens eine der drei offiziellen WTO Sprachen (englisch, französisch oder spanisch) zu übersetzen. Kasachstan verpflichtet sich, die internationalen, handelspolitischen Vereinbarungen, die zwischen Kasachstan und anderen WTO-Mitgliedern gelten, sowie geltende Gesetze, Vorschriften, Beschränkungen und Verbote hinsichtlich der Einfuhr und Ausfuhr zu veröffentlichen.

### **Unterstützung der EU ZUM Beitritt Kasachstans zur WTO**

Die Europäische Union hat Kasachstan bereits ab dem 26. Januar 1996 zugesichert, Kasachstan beim WTO-Beitritt zu unterstützen und Unterstützungsprojekte hierfür aufgelegt. Das erste Projekt "Die Auswirkungen des Beitritts Kasachstans zur WTO" wurde am 15.12.2005 von der EU gestartet und am 31.12.2006 beendet<sup>55</sup>. Das Budget des Projekts betrug 138.032 Euro. Im Rahmen des Projekts wurden die Auswirkungen des Beitritts Kasachstans zur WTO auf die Sektoren Landwirtschaft, Handel, Transport und Energie analysiert. Laut dieser Projektanalyse werden die vereinbarten Zollsensungen und der Abbau von nichttarifären Handelshemmnissen die Rahmenbedingungen des Marktzugangs kasachischer Waren in den europäischen Märkten verbessern. Zur Verbesserung des Marktzugangs für ausländische Anbieter hat Kasachstan im Rahmen des Projekts einer Senkung der Zölle auf Agrarprodukte und auf Industrieprodukte zugestimmt. Die Ergebnisse der Projektanalyse besagen, dass die Senkung kasachischer Zölle und Einfuhrbeschränkungen

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<sup>53</sup> Vgl. World Trade Organization, [www.wto.kz](http://www.wto.kz) (Stand: 23.03.2014).

<sup>54</sup> Vgl. Senti (2000), S.182f.

<sup>55</sup> Vgl. Handelsprojekte der EU (laufende und abgeschlossene), [http://eeas.europa.eu/delegations/kazakhstan/eu\\_kazakhstan/trade\\_relation/trade\\_related\\_tech\\_assistance/index\\_ru.html](http://eeas.europa.eu/delegations/kazakhstan/eu_kazakhstan/trade_relation/trade_related_tech_assistance/index_ru.html) (Stand: 02.02.2014).

mit einer zunächst eintretenden ausländischen Dominanz einhergehen wird. Darüber hinaus werden ausländische Banken und Versicherungsgesellschaften, Handels- und Transportunternehmen auf den kasachischen Markt vordringen. Die wachsende ausländische Präsenz auf dem kasachischen Markt wird eine erhöhte Konkurrenz und somit einen Anpassungsdruck auf die kasachische Industrie und Landwirtschaft nach sich ziehen. Mit dem Beitritt wird das Betätigungsfeld ausländischer Unternehmen im Groß- und Einzelhandel schrittweise erweitert. Das wird zu strukturellen Veränderungen im kasachischen Binnenhandel führen. Heimische Handelsunternehmen werden ihre traditionelle Mittlerrolle verlieren und verstärkt in den Wettbewerb zu ausländischen Handelshäusern treten.

Der Beitritt Kasachstans zur WTO wird kasachische Unternehmen dazu zwingen, produktiver zu sein und eine Stimulans sein für einheimische Unternehmen zur Innovation der Ausstattung und Verbesserung der Qualität von Produkten. Eine Reihe von kasachischen Wirtschaftsbranchen werden jedoch ebenfalls erhöhtem Anpassungs- und Modernisierungsdruck ausgesetzt werden. Sie werden gezwungen sein, in moderne Maschinen, Anlagen und Verfahren zu investieren, um ihre Produktivität sowie die Qualität ihrer Erzeugnisse und Dienstleistungen zu erhöhen. Besonders werden die Unternehmen im Landwirtschaftssektor davon betroffen sein<sup>56</sup>. Außerdem wird durch den Beitritt zur WTO auch der Marktzugang für ausländische Unternehmen in der Erdöl- und Erdgas-Branche durch die Senkung der Zölle und Abschaffung der Importquoten erleichtert. Nachteilig für die kasachischen Unternehmen wirkt sich in diesem Umfeld insbesondere aus, dass ihre technischen Ausstattungen veraltet sind, und dass sie eine im internationalen Vergleich geringe Ertragskraft aufweisen. Dadurch werden die kasachischen Unternehmen unter Druck geraten. Nach dem Beitritt zur WTO werden des Weiteren ausländische Unternehmen in den Vertrieb von Ölprodukten investieren. Das nächste Projekt von EU-Seite trägt den Namen "Unterstützung des Beitritts Kasachstans zur WTO". Nach Ablauf einer ersten Phase, die von 2005 bis 2006 lief, wurde das Projekt bis 2008 verlängert<sup>57</sup>. Die EU hat 1.049.855 Euro für die Realisierung des Projekts zur Verfügung gestellt. Das Hauptziel des Projekts war die Unterstützung Kasachstans bei der Dokumentation, Übersetzung und Verbreitung von Informationen. Im Rahmen des Projekts wurden Expertenstrategien sowie wirtschaftliche und rechtliche Beratungen zu WTO-Themen bereitgestellt. Des Weiteren wurden Regierungsangestellte und Vertreter der Geschäftswelt über grundlegende Regeln und Prinzipien multilateraler Handelssysteme geschult. Darüber hinaus wurden Schulungen, Kurse und Workshops zu WTO-Angelegenheiten im Inland, Schulungen von Ausbildern, Experten und Forschern im Zusammenhang mit WTO-Vereinbarungen, Studienreisen in die Mitgliedsstaaten der EU und zur WTO organisiert.

Das nächste EU-Projekt nannte sich "Anpassung des kasachischen Rechtssystems an die Anforderungen der WTO". Für dieses Projekt, das vom 28.05.2004 bis zum 24.05.2005 stattfand, wurden 186 141 Tausend Euro investiert<sup>58</sup>. Die Zielsetzung des Projekts war die Unterstützung bei der Anpassung des kasachischen Rechtssystems an die Anforderungen der WTO. Über 30 Gesetze und Verordnungen wurden bei der Anpassung an die WTO-Anforderungen von Seiten der EU unterstützt. Die meisten der Gesetze, die geändert wurden, betrafen den Handel und das Zollrecht, wirtschaftliche Gegebenheiten im Bereich der Dienstleistungen sowie Fragen des geistigen Eigentums. Am 22.12.2008 hat die EU ein neues Projekt namens "Die Entwicklung des Exportgeschäftes" ins Leben gerufen. Für die Verwirklichung des Projekts wurden von der EU 277.698 Euro bereitgestellt. Die wichtigsten

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<sup>56</sup> Vgl. Die Auswirkungen des Beitritts Kasachstans zur WTO, <http://www.kazedu.kz/referat/121297> (Stand: 02.02.2014).

<sup>57</sup> Vgl. Handelsprojekte der EU (laufende und abgeschlossene), [http://eeas.europa.eu/delegations/kazakhstan/eu\\_kazakhstan/trade\\_relation/trade\\_related\\_tech\\_assistance/index\\_ru.htm](http://eeas.europa.eu/delegations/kazakhstan/eu_kazakhstan/trade_relation/trade_related_tech_assistance/index_ru.htm) (Stand: 02.02.2014).

<sup>58</sup> Vgl. Handelsprojekte der EU (laufende und abgeschlossene), [http://eeas.europa.eu/delegations/kazakhstan/eu\\_kazakhstan/trade\\_relation/trade\\_related\\_tech\\_assistance/index\\_ru.htm](http://eeas.europa.eu/delegations/kazakhstan/eu_kazakhstan/trade_relation/trade_related_tech_assistance/index_ru.htm) (Stand: 02.02.2014).



Aufgaben des Projektes sind:

- Verbesserung der Exportmöglichkeiten kleiner und mittlerer Unternehmen
- Erleichterung der Teilnahme der kasachischen KMU auf Messen
- Verstärkung der Tätigkeit der Independent Business Association of Kazakhstan (NAP)
- Entwicklung des Exportnetzwerkes zwischen den kasachischen und den zentral- und westeuropäischen Ländern<sup>59</sup>.

Das Projekt wurde am 23.12.2010 erfolgreich abgeschlossen. Im Jahr 2010 wurde das nächste Projekt mit der Bezeichnung Entwicklung und Umsetzung der Instrumente der Handelspolitik (Development and Implementation of Trade Policies and Regulations (DITP))» von der EU aufgesetzt. Das Projekt ist bis zum 04.01.2013 mit einem Budget von 1.787.000 Euro ausgestattet<sup>60</sup>. Zu den wichtigsten Zielen des Projekts gehören:

- Effektive und effiziente Anwendung der Handelsprotektion und Verbesserung der kasachischen Gesetzgebung in Anlehnung an die EU
- Die Verbesserung der Qualität und Wettbewerbsfähigkeit der kasachischen Produkte und Vertiefung der Zusammenarbeit kasachischer und europäischer Institutionen im Bereich Akkreditierung, technische Regulierung und Metrologie
- Anpassung der vorhandenen kasachischen Gesetzgebung an technische Regulierungen und Standards gemäß der Anforderungen der WTO
- Verbesserung der Qualifizierung des Personals in den Institutionen im Bereich Akkreditierung, technische Regulierung und Metrologie
- Verbesserung der Unterstützung im Agrarbereich bei der Anpassung an die Anforderungen der WTO und Verbesserung der Wettbewerbsfähigkeit der Landwirtschaft
- Prüfung der vorhandenen Gesetzgebung im Bereich Konkurrenz und natürliche Monopole<sup>61</sup>.

Zusammenfassend betrachtet, wird die Mitgliedschaft Kasachstans in der WTO sowohl von kasachischer- als auch von EU-Seite aus und von der Welthandelsorganisation selber als wünschenswert bezeichnet. Mit der Zeit können sowohl Kasachstan als auch die WTO von einer Liberalisierung der Handelsbeziehungen nur profitieren. Eine WTO-Mitgliedschaft wird Kasachstan, helfen seine Wirtschaft zu diversifizieren.

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## **RANKING OF UKRAINE ECONOMIC COMPETITIVENESS: INNOVATIVE ASPECTS**

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**Abstract:** *The article is based on analysis of the findings of the world competitiveness ranking data reported by Global Competitiveness Report and by comparing the overall performance of the innovation economy, estimated the state innovation development of Ukraine today. On the basis of legal documents it was confirmed the necessity of transferring the Ukrainian economy to an innovative way of development and key areas for improvement innovation activities on the basis of international experience were proposed.*

**Keywords:** *innovation development, competitiveness ranking, ranking innovative economy*

### **INTRODUCTION**

In recent decades, the world economy of the developed countries entered a period of radical structural transformation associated with a substantial increase in the role of knowledge-intensive and high-tech industries, the development of which is determined by the widespread introduction of innovation in all areas of social and economic life. It makes vital the issue of innovation activities which is a prerequisite for building an efficient economy competitive in the world markets.

That is why today one of the components to ensure the dynamics growth of Ukraine's economics, implementing an innovative model of development. If Ukraine wants to integrate into the European and world community, the implementation of the innovation policy is no alternative.

International practice confirms that the country's failure to implement economic restructuring under the new technological structure hinders its development. Any waiver of innovation policy may result in loss of the preconditions accumulated in the country to the structural technological change. Therefore, the need to assess the state of the national economy in the light of the world rankings, analysis of development trends is an urgent task to develop recommendations for the transfer of Ukraine's economy to an innovative model.

### **MATERIALS AND METHODS**

The issues of competitiveness in the global market extensively illuminated in the works of economists: I. Bazyliuk, M. Delyagin, J. Zhalilo, Inozemtsev, P. Krugman, S. Linder, R. Lucas, Porter, R. Harrod etc.

The issues of analysis and interpretation of the results of the international rankings, positioning Ukraine in World Rankings Assessment of the level of the economy and determination of the level of Ukrainian economy have been devoted by the works of local economists and scholars: Arsenenko, Danylishyna, Veklich, Hrebinichenko, Ivashchuk, Kapustynskoho, Kobushko, Kuprynyuk, Swede, Shovkalyuk, Schurko, and Chernuha. In their study, the authors point to the need to create and maintain conditions for stabilizing the growth of the national economy and improve its competitiveness in the world economy by transferring Ukrainian economy to the innovative development model.

### **RESULTS**

The rich natural resources of any country in the world certainly mean stability and prosperity. However, in the second half of the twentieth century this pattern is no longer sustainable. In the modern terms the level of economic development of a country is determined

not so much by the volume of extraction of natural mines as entity's ability to carry on the country's entrepreneurial and economic activities profitably and efficiently, and by the level of implementation of high technologies in the fields of national economy [4].

New technologies are radically changed the structure of the world economy, and today the world market of high technology products is estimated at 2.5-3 trillion USD; it grows rapidly. Thanks to these technologies in production and the transition to high-tech industries for over the past 20-30 years, the world's overall sales increased by more than five times [1].

The Concept draft of the national target economic program of industrial development for the period till 2017, observed that "...Ukraine is provided with manufactured goods of its own manufacturing only by 60-65%, with innovative products by 25-30%, and the performance of industrial activities is much lower than that of the developed countries in Europe, including productivity at 7-10 times, the consumption of material and energy resources at 2-3 times" [7].

Dominant position in the global trade market high-tech products "G7" keep, including U.S. (over 20%), Japan (12-14%) and Germany (over 10%). The total share of Ukraine in the world trade is only 0.2%. The world economic statistics for the assessment of the innovative potential use metrics that characterize the development of high technologies and production of high technology products, among which the most important indicators are the proportion of high-tech products, which makes the national economy and the share of high-tech products in the total industrial output.

In Ukraine, the share of high-tech products in exports is about 8%, and low-tech ones are 48%. At the same time, in the most highly developed countries have 30-40% of total exports. The Ukrainian share of high technology products in the world market of high-tech products is 0.05-0.1%; it is represented by the production of the defence industry and aviation products, while the share of high-tech products in the developed countries belongs to the U.S. (over 20%), Japan (12-15%), Germany (10%), Britain and France (9-11%) [3].

It is known, the most famous international competitiveness ranking of the world is made up by reports of the World Economic Forum (Global Competitiveness Report, Davos). GCI is derived from the parameters of the analysis of the current economic dynamics for assessing the ability of national economies to achieve sustainable development in the medium term [5, 6].

Competitiveness Index GCI is based on a comparative analysis of 12 sets of indicators, i.e. categories that describe in detail the competitiveness of the countries at different levels of economic development. In addition to the overall ranking of competitiveness for countries caught up in research in the reporting year, in dynamics (compared to the previous year), the report contains detailed descriptions of the national economies with detailed results and comparisons by at position in the ranking and description of the most prominent competitive advantages and disadvantages that were found in the analysis to calculate the index. Analyzing the Global Competitiveness Report, we conclude that Ukraine is far from realization to occupy its rightful place among the innovative countries. Thus, according to the GCI 2013-2014 Ukraine was the 84<sup>th</sup> of 148 countries, for the year lost 11 positions (rankings GCI 2012-2013 Ukraine ranked 73), and the results almost approached GCI 2011-2012 82<sup>nd</sup> place out of 144 countries (Figure 1).

Of the 12 blocks of indicators on which assessment of Competitiveness Report is carried out annually, Ukraine "almost ended up at the bottom of" at least at 4 of them: quality of public institutions (137 seats), macroeconomic environment (107 seats), goods market efficiency (124 seats), the development of financial market (117 seats). According to the expert report, the data show a substantial backlog of Ukrainian Economy on the forefront of the world through access to finance (16,7%), corruption (15,5%), government bureaucracy (13,4%), the terms of fiscal policy (11,0%), political instability (10,1%), tax rates (8,4%), monetary policy conditions (4,2%), ineffective condition innovation (4,1%), inflation (3,7%), national instability (3,5%), crime (2,5%), inadequate infrastructure (2,2%), inadequate labor legislation (1,9%), poor health (1,3%), the inefficiency of training of (0,8%), unemployment and work ethic (0,6%) (Figure 2).

GCI 2012–2013					GCI 2013–2014				
Country/Economy	Rank/144	Score (1–7)	Rank among GCI 2011–2012 sample	GCI 2011–2012 rank	Country/Economy	Rank (out of 148)	Score (1–7)	Rank among 2012–2013 economies*	GCI 2012–2013
Ukraine	73	4.14	73	82	Croatia	75	4.13	75	81
Uruguay	74	4.13	74	63	Romania	76	4.13	76	78
Vietnam	75	4.11	75	65	Morocco	77	4.11	77	70
Seychelles	76	4.10	n/a	n/a	Slovak Republic	78	4.10	78	71
Georgia	77	4.07	76	88	Armenia	79	4.10	79	82
Romania	78	4.07	77	77	Seychelles	80	4.10	80	76
Botswana	79	4.06	78	80	Lao PDR	81	4.08	n/a	n/a
Macedonia, FYR	80	4.04	79	79	Iran, Islamic Rep.	82	4.07	81	66
Croatia	81	4.04	80	76	Tunisia	83	4.06	n/a	n/a
Armenia	82	4.02	81	92	Ukraine	84	4.05	82	73
Guatemala	83	4.01	82	84	Uruguay	85	4.05	83	74

Figure 1: Global Competitiveness Index 2012-2013 and 2013-2014 rankings from "The Global Competitiveness Report"

#### The most problematic factors for doing business

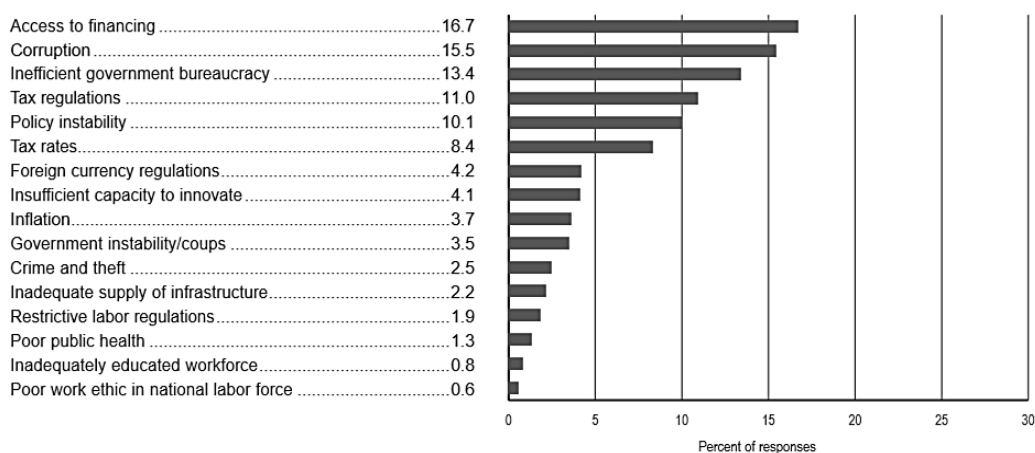


Figure 2: The major factors that hinder the development of business in Ukraine, % of responses

As it can be seen, among the indicators that undermine the development of an efficient economy in Ukraine, an important place is taken by the index that characterizes the innovative potential of Ukraine and demonstrates the need for the formation of perfect scientific and technological capabilities that will allow Ukraine to take advantage of the innovative economic model. Determining the degree of innovativeness of the economy of Ukraine, it should be mentioned that among the indicators, enhancing economic efficiency, there is a significant level of readiness for the introduction of the technologies. According to this index rating GCI 2013-2014 Ukraine took the 94<sup>th</sup> place to the 81<sup>st</sup> in the rankings GCI 2012-2013.

For the assessment of the innovation economy of the countries in the GCI the group indicators "Innovation and capacity (ability to innovate)" is used, which generally have share with rankings around 10%.

The report presents the following factors that evaluate innovative development of the economy of any country: the ability of enterprises of the country to innovate, the level of the quality of research institutions, companies' outlay on researches, cooperation of the universities on scientific intersectional research, purchasing power of innovative advanced technologies, provision of scientists and engineers, registration of patent applications per million inhabitants. According to the rating GCI 2013-2014 in this category Ukraine took the 95<sup>th</sup> place having rolled for the year by 16 positions. Confidence Indicators of the innovation potential of the economy are the businesses (Business sophistication) and the actual innovation. According to these aggregate figures on the basis of GCI 2013-2014 Ukraine took 97 and 93 seats respectively against 91 and 71 Reported GCI 2012-2013.

Of the seven categories of indicators presented by "Innovations" (Chapter 12) at three Ukraine today takes place by a hundred: the ability to innovate enterprises in the country – the

100<sup>th</sup> place, outlay on researches – the 112<sup>th</sup> place, state acquisition of innovative advanced technologies – the 118<sup>th</sup> place. Also very low for the development of innovative processes in Ukraine are indicators of the quality of research institutions and universities' cooperation with enterprises and organizations in intersectional scientific research that have deteriorated significantly for the last year. Even after the indicators used in the GCI 2013-2014 by which Ukraine has the best rating, namely the level of security of scientists and engineers, it significantly worsened their situation – from 25<sup>th</sup> place in 2012 to the 46<sup>th</sup> in 2013. Solving the problem of transfer of Ukraine's economy to the way of innovative development in target economic program of industrial development for the period till 2017 "...is expected to triple industrial output and upgrade its industrial structure. Growing share of industry innovation and investment sectors, especially engineering, is expected to be 32% in 2017, consumer products to 31%. The share of production of energy and raw materials sector will be reduced to 37% in 2017" [7].

And in order to take active measures to reform the incentive innovation sector of our country in the Program of Economic Reforms for 2010-2014 "Prosperous Society, Competitive Economy, Effective State" the following problems are posed: "...to increase the competitiveness of the sector of research and development and to ensure the integration of the domestic sector of the researches in the European Research Area, to increase the effectiveness of budget funding of the scientific field, to direct the national scientific and technological potential to actual needs of innovation development of Ukraine's economy and to the organization of production of high-tech goods and services to carry out priority measures to improve the efficiency of the national innovation system. The indicators of gaining goals in 2010-2014 periods should be: increasing the share of innovative industry to 25% and increasing science intensity of GDP to 1.5%" [2].

## DISCUSSION AND CONCLUSIONS

Thus, by the main indicators of competitiveness and readiness for innovation development of Ukrainian economy is significantly behind the developed countries of Europe and the world nowadays. There is an insignificant share of high-tech exports in total exports of Ukraine and yields of domestic high-tech products - goods and services are very low.

However, despite the fact that the analysis of the above figures indicates Ukraine to fix in producing low technological goods and services in international specialization, that occurs due to improper use of existing country conditions for the formation of high-tech formation of Economy, Ukraine now has sufficient scientific and technological potential and maintains all opportunities to transition to an innovative model of economic development.

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# SYNERGETIC EFFECT IN THE TECHNOLOGICAL CLUSTER SYSTEMS

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**Abstract:** *In conditions of open markets work enterprises have to invest in product development, production and promotion. They must improve its production competitiveness to survive. Small firms can survive due to collaboration with other enterprises working in the same creating value chain. Such collaboration in form of cluster can give serious synergetic effect. One of the effective directions of synergetic effect achievement is transition to process approach. Cluster divisions are the independent enterprises which have been functionally focused on performance of certain specifics works to a cluster and organizationally connected by contract relations. The network of the cluster processes, including their general network and private networks of the cluster enterprises, creates conditions for receiving the great synergetic effect which is a consequence of processes inputs and outputs coordination. In this article formation and interaction of processes is carried out according to a technological chain of a cluster processes. Processes of cluster enterprises can be considered, as the macro processes including internal divisions processes. Authors have shown an example of macro processes interaction of the marketing firm with macro processes of the scientific educational institution which is carrying out constructive development of new products.*

**Keywords:** *cluster, process approach, process model, sub processes, synergetic effect, quality management system, coordination*

## INTRODUCTION

M. Porter proved the need of deviation from the theory of the comparative advantages, which dominated over two centuries, to competitive advantages which creating welfare [1], in modern conditions of the new economy which is based on knowledge and innovations. There are a large number of publications on cluster subject. But in this work clusters are considered only in aspect of synergetic effect creation which is a consequence of competitive advantages realization, created by mechanisms of quality management [2, 3].

## MATERIALS AND METHODS

The synergetic effect, when the result of a cluster work is more considerable than total results of its divisions interacting, means that consolidated efforts yield the better results. For example, competitiveness of its production can be improved due to collaboration. One of the effective directions of synergetic effect achievement is transition to process approach to a cluster divisions. It is necessary to create the streams of the interacting and complementary processes necessary for the cluster quality management system (QMS). Cluster divisions are the independent enterprises which have been functionally focused on performance of certain specifics works to a cluster and organizationally connected by contract relations. The network of the cluster processes, including their general network and private networks of the cluster enterprises, creates conditions for receiving the great synergetic effect which is a consequence of processes inputs and outputs coordination. A. Marshall [4] was the first theorist of production process network development. He defined that groups of the joint small or medium firms specialized at a certain production stage located in any region, cannot concede by efficiency to the large vertically integrated enterprises. It is possible to add that the synergism depends on quality of processes interaction. Such approach to a synergy is studied not enough, therefore it is a research problem. Methodological base of these research were chosen as room marketing research methods with use of procedures of quality management and the comparative analysis. The interrelation is a basis of cluster integration. If the cluster is considered as a form of the network functioning within the geographical region and consisting of companies group, properties of emergence and synergy are conducting to the coordinated focus of their actions for achievement of the result which exceeds private results of a cluster division.

The synergetic principle of interaction provides efficiency of cluster functioning. Each enterprise or the organization of a cluster are represented in the form of the system model that uniting group of business processes which final exit is the component of the general cluster product. The cluster synergetic effect will depend from that, the network of processes in each enterprise and in a cluster as a whole correctly grouped, and how these processes are productively interconnected. The coherence assumes coherence of the purposes and strategy of the enterprises and the cluster organizations, compliance of inputs and outputs of the cluster general network processes. It is the client relationships system of the cluster elements based on the principles of cooperation and submitting to quality and expenses standard requirements. The integration which is based on the principle of the maximum competence, allows including in a cluster structure such enterprise and the organizations that possessing the necessary competence (ability to provide high quality and low expenses in comparison with competitors). It guarantees opportunity to create and realize competitive advantages to cluster products which can be successfully brought to a foreign market. Thus, cluster integration is realized in the form of network model of steady interrelations between the cluster enterprises on the basis of the accepted institutional conditions (Figure 1).

Processes consist from the sub processes, each of which has the inputs and outputs, as it is shown in Figure 2.  $P_1$  process is created for achievement of a goal and consists from the sub processes of  $P_1 = \{P_{11}, P_{12}, P_{13}\}$ . The intermediate purposes that are the outputs of sub processes have to be described. Each sub process has the input and output:  $P_{11}: I_{11} \rightarrow X_{11}$  for the first sub process;  $P_{12}: I_{12} \rightarrow X_{12}$  for the second sub process;  $P_{13}: I_{13} \rightarrow X_{13}$  for the third sub process. For example, inputs of  $P_{11}$  sub process are called as  $I_{111}, I_{112}, I_{113}, I_{114}, I_{115}$ , and outputs  $X_{111}, X_{112}$  and  $X_{113}$ . The third sub process  $P_{13}$  is final as its outputs are finishing process  $P_1$  and defining  $X_{11}$  and  $X_{12}$  process outputs.  $P_{11}$  sub process is initially and process begins with it. It is visible that except the interconnected inputs (inputs and outputs are connected) and there are excess inputs (are designated by triangles), which are necessary for the sub processes realization. If necessary these unrealizable inputs can be removed. Ultimate goals of process  $P_1$  are determined by its outputs  $X_{11}$  and  $X_{12}$ . At the same time they are outputs of final sub process  $P_{13}$ . Statement of the purposes (sub process outputs) is going with the end of process  $P_{13}$  by its beginning  $P_{11}$ . Thus the intermediate purposes of process of  $P_1$  are formed. The structure and the maintenance of the main process and sub processes inputs have to be sufficient for effective functioning of process. Proceeding from it, coordination of processes chains (according to M. Porter) [1] or their alignment (according to M.L. Razu) [5] is made.

Let's consider possibilities of creation of synergetic effect in a regional technological cluster. General cluster characteristic the following:

*Type of business* is production of import replacement industrial and household fittings, products of chemical mechanical engineering with accompanying means such as systems of these products automation, systems of remote control, ensuring their repair and service. Technological chain of a cluster: marketing – design and development of cluster products – deliveries of raw materials and accessories – technological processing in the final products - product advance on domestic and foreign markets – realization of products – service of cluster products. Through additional inputs the necessary information and the data connected with the mechanism of realization the sub process is entered.

*Cluster infrastructure:* 1) structure of a cluster management, including board of directors, executive director and representatives of the regional power; 2) the processing enterprises of heavy industrial fittings and small fittings production sectors, sector of an instrument-making and electronic profile enterprises and sector of their repair and service; 3) the scientific educational institutions providing a complete set of a cluster with competent staff for all levels; performance of scientific researches; innovative projects development; introduction of modern information technologies and systems in various fields of activity, consulting on a wide range of scientific and practical tasks, etc.; 4) marketing firms providing market researches and production advance on foreign and domestic markets; 5) distribution networks for production realization; 6) service and consulting enterprises for providing a cluster with information systems and technologies, technological equipment, control and measuring complexes and control systems.

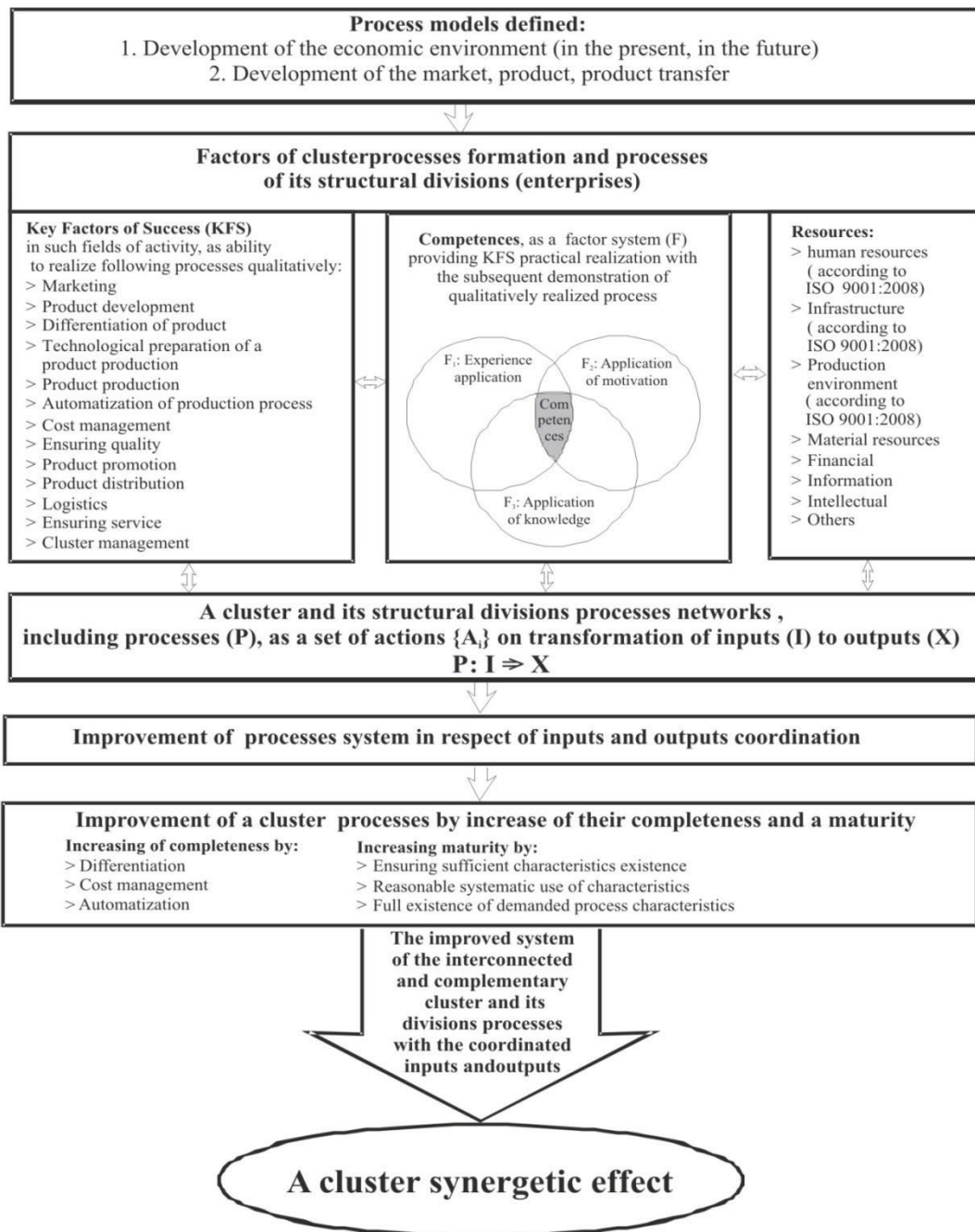


Figure 1: Model of synergetic effect creation on the basis of a cluster processes coordination

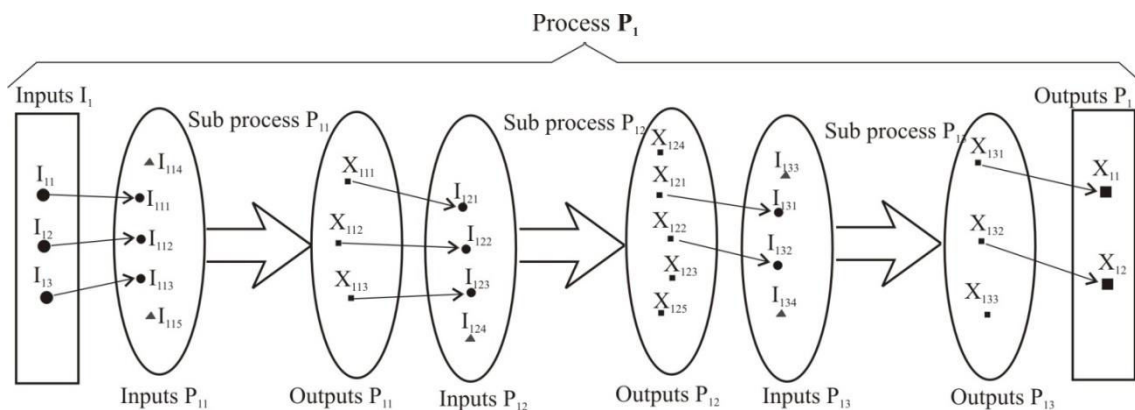


Figure 2: Process as a set the sub processes



Each of these organizations has the processes network (the business processes adding cost and value, and auxiliary). They interact among themselves through the inputs and outputs. In the organizations the internal network of interacting processes works. Interaction between processes of cluster organizations is carried out through the corresponding inputs and outputs of the processes formed, proceeding from a cluster mission, goals and system of quality policy. It is necessary to remember that both processes, and sub processes are created for achievement of the concrete results meeting requirements of quality system.

Formation and interaction of processes is carried out according to a technological chain of a cluster processes. Processes of cluster enterprises can be considered, as the macro processes including internal divisions processes. Let's consider as an example, interaction of macro processes of the marketing firm (MF) with macro processes of the scientific educational institution (SEI) which is carrying out constructive development of new fittings. They interact according to the scheme: producer – consumer. The producer is the marketing firm working by request of SEI and providing the consumer with information on market research about the new product market, information on the competitive analysis, data of a benchmarking on similar competitors goods. Interaction process between MF and SEI will look as follows: SEI develops the requirements specification (customer specification) ("S") to receive demanded information in the form of the report with requirements of information completeness, reliability and date of receipt. MF analyzes feasibility of "S" performance, demanded resources and terms. The head of process (HP), appointed by MF management, controls firm process for receiving the result corresponding to "S". The operating cycle PDCA is thus used:

P – Planning of how the demanded result has to be received, demanded resources, ways of providing requirements of the process customer (SEI);

D – Organization of process performance;

C – Definition of methods and control devices of process performers and its results;

A – Performance to correct actions of control discrepancies to requirements.

After that MF starts the processes network for receiving demanded result. The processes network of MF can include the processes of carrying out market researches, a benchmarking, etc., demanded for obtaining information for customers. MF customers can include other cluster organizations needing the marketing information. Similarly realize all cluster macro processes and processes of the enterprises entering into cluster. Quality of processes interaction is defined by how their inputs and outputs are coordinated. Inconsistency causes mistakes, time losses and means.

Restructuring of a cluster control system on the basis of process approach is necessary for effective functioning of cluster processes.

In article it is shown how it is possible to gain synergetic effect as a result of a cluster processes coordination that increases effective management of cluster system.

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## COMPARATIVE ANALYSIS OF INNOVATION PROCESSES IN THE CIS COUNTRIES

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**Abstract:** *The article deals with the comparative analysis of innovation processes in the CIS countries. Also, there is a comprehensive analysis of ways of moving the CIS countries to innovative model of development, taking into account the scientific and technological development and fundamental mechanisms of development.*

**Keywords:** *innovation, innovation process, CIS countries*

### INTRODUCTION

It was one of the most difficult but important challenges for the CIS countries to form the State policy, capable of innovative development of the national economy, the growing economic activity are worrying trends of continuing movement towards de-industrialization production and increasing technological backwardness in the recent years. Structural and technological changes in the economies of the CIS were largely spontaneous, under the influence of until recently macroeconomic competitive advantages. The basic mechanisms of growth too concentrated in a handful of industries whose success mainly depends not on innovation, but on exports of primary commodities. At the same time the share of innovation active enterprises continuously decreasing in the region: with 50% in the Soviet Union before its dissolution until current 13.0% in Belarus, 10.3% in Russia, 12.3% in Ukraine, 2.2% in Kazakhstan, while in the developed countries of the West that today reaches 60 or even 80%. The total share of CIS countries doesn't exceed 0.5% in the world market of high-tech products.

### MATERIALS AND METHODS

It is clear CIS countries are unable to deal with the need to quickly overcome the technological gap and substantially increasing the competitiveness of the economy, without a sound structural transformation of the economy and especially its shift of energy raw material on innovation model of development.

Equally important is for the same purpose, strengthening the participation of the countries of the region in the international technology exchange. Also it must be found the way to increase the interest of the countries of the CIS to deepen the integration in this area, until the formation of a single scientific-technological and innovation space.

In other words, only a peer-reviewed scientific and technical policy aimed at deploying processes turning the scientific knowledge into innovation and production, will allow CIS countries to escape from the deadlock, to proceed with the modernization of the national economy and to become more closely involved in the global economic cooperation.

This is determined by the relevance of the study devoted to the analysis of the current status and prospects for intensification of science, technology and innovation policy of post-Soviet countries. Nature and trends of global development, the need to quickly overcome the technological "breaks" with the highly developed countries, creating political and economic

preconditions for accelerated growth led to the passage of the national economies of the CIS countries in an innovative way. Global patterns cannot be ignored in assessing the opportunities and prospects for innovation development of CIS countries. The emergence of the new economy is one of the most important among them, the strategic resources which are knowledge and information.

## RESULTS

Problems of scientific and technical policy of the CIS countries and the prospects for their innovative development are still explored in a number of monographs and articles.

Guidance documents were used in the CIS countries in science technology and innovation policies with the aim of methodological and comparative analysis, analyses a number of foreign countries, the most successful in the development of national innovation systems, treatises on the economic transition and area expertise.

The scenario on this issue remains debatable, particularly concerning the choice of strategy for the transition to innovation model of the development. However, if the State does not have clear guidelines for further development, mechanisms for their implementation and real ways of predictable result, then this transition may not take place. Therefore there is a need for further research and methodological developments, based on a realistic assessment of the existing innovation potential in the CIS, as well as to forecast the innovation development of economy of post-Soviet countries in the context of the ongoing deployment of global and regional integration processes.

Transition in the post-Soviet space, which began after the collapse of the Soviet Union for more than 20 years ago, turned to the newly emerged on its territory and in the CIS States serious losses in economy, science and technology, resulting from the elimination of the previous centralized system and the destruction of the once unified economic area. The transformation in the countries of the post-Soviet space was more painful than, for example, in Central and Eastern Europe, which with the help of the EU and foreign direct investment was recovered relatively quickly. In the CIS countries the depth of the fall of most macroeconomic indicators was disastrous. Economic reforms undertaken here not only did not lead to a modernization challenge, as promised by their authors, but rather pushed the post-Soviet countries far behind in terms of their capacity to ensure the quality of economic growth. Transformation of the economic relations in the former Soviet Union has been accompanied by a decline in production runs on high-tech products for technical and technological level of industry and, above all, machine-building, greatly narrowing the technological base to keep the machinery and equipment, the introduction of new technology, decreased demand for the production of results of intellectual work. This was the main cause of increased technological crisis in post-Soviet countries, the consequences of which have not been overcome yet.

The financial crisis also affected all countries, without exception, and the sharp drop in economic growth has led to a reduction in public expenditure on scientific research and experienced constructional working out (SRECW). The number of employed fell sharply in science, the number of academic institutions, weakened the material and technical base of science and decreased wages of scientific and engineering staff that contributed to the downfall of the prestige of intellectual work in science and in SRECW.

The greatest losses in transformational period suffered occupational science (CIS), which during the Soviet period mainly serves the military-industrial complex. Since 1991, it has lost almost all their sources of funding, as an independent operation on the market of scientific and technological products of civil or dual use. In this sector there have been the greatest reductions in government orders the release of highly competent professionals, resulting in the disintegration of the scientific-technical and production teams. As a result, in the CIS countries, there has been a significant decline in UNFPA industry of new technologies and today, on average, only about 7% of them are fundamental novelty, and 3.6% were supported by patents. Low competitiveness explains the weak presence of the CIS countries on the world industrial market, which in the high-tech sector is controlled by the

countries with economies in post-industrialized and in niches, predominantly traditional technologies, more and more Chinese enterprises is captured.

In this situation, the absolute priority in the economies of countries such as Russia, Ukraine, Kazakhstan, Turkmenistan, Azerbaijan, then proceeded to demand product on the world market and the extractive industry products of primary processing of raw materials, the export of which thanks to a favourable price movements provided in recent years, the success of the economic background of the exporting countries, as well as a number of other CIS countries (Belarus, Georgia, Armenia, Moldova), who until Russian hydrocarbons.

However, the continued one-sided orientation towards the development of the mining sector, even in spite of the current high revenues from the export of its products and a favourable medium-term price forecast, in the long term, clearly is futile in the light of the impending reduction of natural resources.

The share of fuel and raw materials in world exports today is the downward trend and is projected to be less than 10% by 2020.

Thus, the countries of the CIS have a dilemma: either to move progressively on the innovation way of development of the economy and by harnessing the intellectual potential of their engineering and scientific and technical expertise to solve complicated socio-economic problems, or become an appendage of lead countries, with the opportunity to address their concerns directly on these countries in world commodity markets.

By the end of the 90s post-Soviet countries have become aware of the need to develop a strategy for the transition towards an innovative development, with the most effective model for the economic growth of commodity-exporting countries, including Russia, has recognized a significant commodity economy and dynamically growing cluster of high-tech industry, including through technological spillovers of financial resources from the commodity sector.

It was also apparent that the transfer of the economy to the innovation way of development is not possible without increasing the State policy in the sphere of involvement in productive use of scientific and technological activities.

The improved utilization of the intellectual resources and emerging scientific and technological outcomes for transition to a competitive, dynamic, knowledge-based economy is the purpose of this policy.

Most actively towards a new paradigm of scientific, technological and innovation development are still Russia, Ukraine, Belarus and Kazakhstan, who developed a scientific potential and highly motivational.

Today in these countries, the task of creating a national innovation systems, a variety of concepts and programs, as well as regulatory instruments in which, first, define the General principles and priorities of the science, technology and innovation policy; Secondly, the main tasks in the area of legal environment for innovative development and, thirdly, specific sources of financial support for innovation (Table 1).

Although the process of formation of national systems is rather slow and while none of these countries really failed to intensify innovation across the State, we cannot fail to see that the individual position of the innovation systems gradually filled with practical content.

Thus, virtually all countries are priority areas for the development of science and technology in the long term, taking into account the global trends of scientific and technological progress, and the characteristics and potential for the development of specific areas in a particular country. Without this, it is simply impossible to set realistic direction and strategy of establishing their own breakthrough production niches in the global economy, as well as to develop adequate mechanisms to those tasks.

Among such areas: information and telecommunications systems, new materials and new sources of energy, biotechnology, environmental management.

Key areas for the development of new technological order are also nanotechnology, artificial intelligence systems, the global information networks and high-speed transport systems, energy-saving technologies.

Table 1

## Basic documents adopted in Russia, Belarus, Ukraine and Kazakhstan on innovations

Russia	Belarus	Ukraine	Kazakhstan
1. The law "On Science and State scientific and technical policy" (1996). 2. Basic policy of the Russian Federation in the science and technology up to 2010 (approved by the President of the Russian Federation, 2002). 3. The main lines of State investment policy in the science and technology (The Government of the Russian Federation, 2003). 4. The principal policies of the Russian Federation in the field of development of innovation system up to 2010 (approved by the Government of the Russian Federation, 2005). 5. The strategy for development of science and innovation of the Russian Federation up to 2015 (approved by the Interministerial Commission for science and innovation policy, 2006).	1. The program for the development of science and innovation (Decree of the Government of the Republic of Belarus, 1996). 2. Conception and development of the industrial complex of Belarus for 1998-2015 (Decree of the President of Belarus, 1998). 3. The concept of innovation policy of the Russian Federation in 2003-2007 (Resolution of the Government of the Republic Belarus, 2003). 4. The structural adjustment program on the increasing economy's competitiveness of Belarus 2010 (resolution of the Government of the Republic Belarus, 2003). 5. The list of priority directions of fundamental and applied scientific research of Republic Belarus for 2006-2010 (Resolution of the Government of the Republic Belarus, 2005).	1. The creation of scientific parks and innovation structures of other types (Order of the President of Ukraine, 1996). 2. The concept of scientific, technological and innovative development (adopted by the Parliament of Ukraine, 1999). 3. The Law "On special regime of investment and innovative activity in technological parks" (1999). 3. The Law "On innovations» (2002). 4. The Law "On innovative activity priorities in Ukraine" (2003). 5. "On the financial support of the enterprises' innovative activity, which have a strategic importance for the economy and security of the State" (Decree of the President off Ukraine, 2004).	1. Program of innovative development of the Republic Kazakhstan (Decree of the Government of the Republic Kazakhstan, 2001). 2. The law of the Republic Kazakhstan about innovations (2002). 3. The strategy of industrial-innovative development of the Republic Kazakhstan for 2003-2015 (Decree of the President of the Republic Kazakhstan, 2003). 4. The program on the formation and development of national innovation system in 2005-2015 (Government Decision, 2005). 5. The law "On State support for innovation", (2006).

Further development will be manufacturing automation, space technologies, production of constructional materials with predefined properties and nuclear energy. Almost all of these positions in a given configuration are reflected in national lists of main directions.

Taken at the State level documents also defined that the implementation of the national science, technology and innovation policy reviews will be carried out within the framework of program-target method on the basis of the principles of public-private partnerships, direct and indirect support of innovative programmes and projects, the participation of the State in the development of innovation infrastructure and training.

In a number of documents was confirmed the intention of the countries to increase multiply spending on research and development in the coming years. Unlike most countries in the world where 2/3 of financing science occurs through private funds, in the CIS countries, public funding over the medium term will prevail. One way to raise funds from private businesses in innovative sphere is the creation of public-private partnerships in the implementation of the most important innovation projects, including in the framework of the

new infrastructure, such as business incubators, technology parks, technology transfer centers, the network which has been established in many countries of the CIS.

The challenge for our technological park is the commercialization of scientific ideas through the creation and development of small businesses. Availability of infrastructure allows you to provide innovative enterprises located on the territory of the Park, a full range of services necessary for the establishment and development of a knowledge-based business. However, you should recognize that most parks in CIS only passes phase and accumulates its innovation potential. For example, in Russia formally recorded nearly 80 parks, but most of them exist only on paper. In recent years, it is managed to take only 30 accreditation and international standards recognized by a little over ten. Also, it was created 8 techno-parks in Ukraine, and really works only 4. There are 5 techno parks in Belarus today and operates 15 parks in Kazakhstan.

One of the problems hindering the development of innovative business in the CIS countries is the slow development of small and medium-sized innovative enterprises. Hinder the development of legal and administrative barriers, limited access to finance, a weak research base, as well as the difficulty in providing legal protection and protection of intellectual property rights, a high level of offences in this area, as well as unfair competition in science and technology. Often the main sphere of activity of small business, trade (90%) becomes, while the proportion of small firms really relevant appearance of innovative enterprises is not more than 2% in Russia and Ukraine, and 1.4% in Belarus.

It is still loosely used such an effective mechanism for financial support of small innovative business as private equity in the post-Soviet space. Talking about the causes of this, first note the impermeability of the economies of the countries of the post-Soviet space in a high risk venture investments. In the CIS countries is difficult to find a venture investment enterprises with a view to the rapid growth of capitalization. Instability of law does not allow investors to plan for the long term in the condition where venture capital investments have terms from 3 to 7 years. Weak stock market, the existence of the shadow sector of Economics impeded the free exit of venture business of pro invested companies.

Nevertheless, the experience in venture activity is gradually accumulating, as evidenced by the positive dynamics of national venture capital funds, as well as the growth of venture investment in Russia, Kazakhstan and Ukraine. Today it can be only conditionally optimistic assessment of the development of Russian business venture. Despite the efforts undertaken by the State, the amount of venture capital remains very low, around 50-70 million dollars per year. Until recently, there were about 25 active managers who have worked with 60 venture capital funds in Russia. A turning point could be the establishment of the State of the Russian venture company with a network of 10-15 venture funds with aggregate capital in 30 billion rub. The total amount of State support will amount to 15 billion. Rub. In fact, we are talking about that in the next few years the country should have full venture capital industry.

There are about 50 domestic formally and 8 foreign venture funds, a major investor in Ukrainian funds is the European Bank for reconstruction and development (EBRD) in Ukraine. As in Russia, in the national market, there are regional venture funds and direct investment of small enterprises, where the EBRD is almost 100% investor, as well as some funds direct financing where the EBRD operates as a co-investor.

However Ukrainian venture capital has invested in innovative projects. For a more attractive is to implement investment projects the average level of risk with the use of transactions in financial assets and real estate. There are about 40% of the assets of venture funds posted in real estate, according to the Ukrainian Association of investment business. The most common form of venture investment in Ukraine has been providing investment loan-from specially released under project bonds to direct investment lending through venture capital funds.

Kazakhstan currently operates eight venture funds, including three with foreign capital participation. The total amount of venture capital reached 144 mln. Dollars; 112 million

dollars is focused on the domestic market and 32 mln. Dollars are invested in overseas venture capital funds from this amount. The analysis of prospects of innovative development of the CIS countries shows that today the most difficult task of national science, technology and innovation policy is to encourage the active participation of the business sector at all stages of the innovation process. Equally important are clear and relevant rules and laws in the area of public-private partnerships, particularly in the area of intellectual property law.

In addition, rather than allocating public resources to numerous scattered small amount of innovative actions should, in our view, to focus on a limited number of key technologies that could be the basis for a new image of the innovation system.

Thus, there is a relatively strong position of the Russian Federation in high-tech areas such as nuclear energy, nanotechnology, software, materials, propulsion, superconductivity, etc. Unique Russian competitive resource is the rocket and space complex, featuring a highly knowledge-intensive and good return.

Ukraine has serious scientific and technical works and production experience in such priority sectors as defence, aerospace, shipbuilding, chemical, and energy engineering, information technology, agriculture, and transport infrastructure. From 22 basic space missile technologies 17 were mastered by national producers.

Today Belarus has large in the scale of the country scientific and technical potential and significant developments in the field of high-tech industries. At the enterprises of the Republic of new generation machine, new microelectronic components for the electronics industry, computer and fibre-optic technology, optic-electronic and measuring equipment, including dual use, new effective medicines and varieties of agricultural plants. Successful realization of competitive advantages with very limited own raw material and energy inputs and difficult environmental conditions, can stimulate technological upgrading and expansion of high-tech industry competitive in the world markets. Unlike Ukraine and Belarus, Kazakhstan's transition to innovation model of development is associated not so with the high-tech industries, but with the desire to increase the share of value added in manufacturing products. So promising is deepening processing of oil and gas, which may provide an opportunity for the production of about 200 varieties of polymeric products used in virtually all sectors of the economy and in the home. Good prospects in this regard are also available in the steel industry. Production of non-ferrous metallurgy of Kazakhstan has been used effectively in a knowledge-based and high-tech products-spacecraft, weapons and electronics.

In Kazakhstan, the basic problems of low innovation activity of the domestic economy is commodity-oriented industries, the lack of high-qualified scientific and engineering staff, lack of financial resources, a small number of organizations concerned with innovation, intellectual property protection and a low level of innovative management. The results of the study give rise to the following conclusions and proposals:

1. The analysis of prospects of innovative development of the CIS countries shows that today the most difficult national science, technology and innovation policy is to encourage the active participation of the business sector at all stages of the innovation process. Equally important are clear and relevant rules and laws in the area of public-private partnerships, particularly in the area of intellectual property law.

2. Specific provisions of the conclusions and practical recommendations include: Innovative development in the course of economic reforms in the CIS countries; The features of the innovation strategy in transitional economy and problem statement on strengthening the role of the State as the key link building national innovation systems; assess the feasibility of adapting the foreign experience of the CIS countries and the science and technology policy;

- Analysis of the dynamics of the development of science and technology capabilities and scale of resources science in the CIS region; Experience of innovation infrastructure in the CIS countries, including techno parks and venture-capital structure.

3. Changing the economic model in the industry of CIS and focusing on the innovative development leads to the building an effective mechanism for generating and disseminating

innovations. Emergence of a strong innovative sector in the economies of the CIS countries requires real innovations, increasing demand for scientific development. Therefore, it is important to make institutional steps, which would encourage investments in new knowledge and technologies that contribute to the development of the innovation environment.

Formation the State policy for the development of the national economy is one of the most difficult challenges for the CIS countries. The growing economic activity leads to the de-industrialization of production and increasing technological backwardness. Structural and technological changes in the economies of CIS countries were spontaneous under the influence of current macroeconomic competitive advantages. The mechanism of growth is concentrated in a handful of industries which depends on innovation. At the same time share of innovative active enterprises is continuously decreasing: with 50% in former USSR until current 13.0% in Belarus, 10.3% in Russia, 12.3% in Ukraine and 2.2% in Kazakhstan, while in the developed west countries today it reaches 60% or even 80%. In the world market for high-tech products total share of CIS countries now exceeds 0.5%. Thus, it is clear that without structural transformations in economy and innovative models of development, CIS countries are unable to deal with the need to overcome the technological gap. Also it must be found to increase the interest of the CIS countries to deepen integration until the formation of a common scientific-technological innovative space. Only a peer-reviewed scientific and technical policy, which is aimed to the deploying processes of scientific knowledge in innovative production, will allow CIS countries to emerge from the stalemate, to proceed with the modernization of the national economy and to become in the world economic space. It is determined by the relevance of the study devoted to the analysis of the current status and prospects for intensification of science, technology and innovation policy of post-soviet countries.

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# UMSETZUNG DES GRADE-SYSTEMS BEI DER FESTSETZUNG DER LÖHNE IN KOHLEBERGWERKEN

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**Abstrakt:** Der Artikel beschreibt die Möglichkeit der Verwendung des GRADE-Personal-Management-Systems für die Mine "Schacht OP Chaikin" als Teilbetrieb des "Staatlichen Kohlebergwerks Makeevugol" so wie das Verfahren zur Verbesserung des Systems der Motivation und Anreize im Unternehmen.

**Keywords:** grade, grading, grading als Vergütungssystem, Mitarbeitermotivation

## EINLEITUNG

Der Artikel beschreibt die Bedeutung der Mitarbeitermotivation von Kohlebergwerken zur Verbesserung organisatorischer und wirtschaftlicher Mechanismen zur Regulierung von Löhnen, die ein Bestandteil der Interaktionselemente und Methoden sind, um die Auswirkungen von Sozialschutz- und Beschäftigungspolitik durch den Einsatz von wirtschaftlichen, sozialen, psychologischen sowie Verwaltungsmanagement-Tools zu optimieren. Eine fehlende Definition des Grundgehalts führt zu einer Demotivation der Mitarbeiter und somit zu einem negativen Effekt der o.g. Maßnahmen.

## MATERIALIEN UND METHODEN

Forschungen zu Fragen der Vergütung und Motivation von Mitarbeiter unter modernen ukrainischen Arbeitsbedingungen, beschreiben die engagierten Forscher V. Bortnik, N. Vorobey, S. Tsymbaliuk, L. Cervinska und G.T. Shkurin. Allerdings bleibt dabei der Einsatz neuer Entgeltsysteme in der Kohleindustrie unerforscht [2].

In den 50er Jahren des 20. Jahrhunderts begann im Westen die Verwendung von Entlohnungssystemen, die der Autor Edward Hay beschreibt. Er bot an, bei der Bildung der Löhne der Mitarbeiter nicht die jeweilige Position zu bewerten, sondern das Gewicht und den Wert der jeweiligen Positionen, unabhängig davon, wer sie hält. Die Kriterien, die das Bewertungssystem untermauern, verwenden ursprüngliche Anforderungen (Wissen und Fertigkeiten), die Auswirkungen des Postens (Komplexität) und die Verantwortung. In der Ukraine begann die Umsetzung solcher Systeme vor relativ kurzer Zeit, Bewertungssysteme interessierten nur bei einer Änderung der Berufsstruktur in der Gesellschaft. Grading-Lohnsysteme basieren auf der Tatsache, dass der Arbeitgeber dem Arbeitnehmer für sein Ergebnis zahlt. Doch neben den Ergebnissen der Arbeit, zählen im Grady-System Faktoren wie: die Grundlagen eines qualifizierten Mitarbeiters, die Dienstzeit, die Arbeitsdisziplin, die Unternehmenskultur und das menschlichen Verhaltens [1].

Im weiteren Verlauf wird die Einführung des Grading-Lohnsystems am Beispiel der EP "Mine Chaikin SE" Makeevugol dargestellt. Es gab fünf Stufen der Entwicklung des Grading-Lohnsystems, wie: Stellenbeschreibungen; Bestimmung des Wertes der Arbeitsplätze; Bau-Typ; Installation von Qualifikationsverhältnissen (Gehalt) für jeden Typ; Einführung des Grading [4]. Betrachten wir die wichtigsten Schritte:

Im ersten Schritt wird die jeweilige Position durch eine Analyse beschrieben. Wir verwandten dabei verschiedene Methoden der Analyse (Interviews, Fragebögen, Beobachtungen, etc.). In o.g. Miene wurde ein Fragebogen ausgegeben, der eine 10-Punkte-Skala enthielt, die von einer Expertengruppe entwickelt wurde. Dieser enthielt Fragen für: Arbeitnehmer an Arbeitsplätzen mit gefährlicher und beschwerlicher Beschäftigung, Verwaltungsangestellte, Arbeitnehmer im Bereichen Wellenoberfläche, Führungskräfte, Fachkräfte und Mitarbeiter in der Verarbeitungskette der Primärproduktion. Ein Musterfragebogen für Untertagearbeiter unter gefährlichen und schwierigen Bedingungen ist in Abbildung 1 eingefügt.

Fragebogen  
Sehr geehrter Experte!  
Wir bitten Sie, die Bedeutung (Signifikanz) der Bewertungsfaktoren "Platinen"  
zwischen 1-10 zu bewerten.  
Punkte-Skala:  
1 Punkt – Faktor ist nicht signifikant;  
2-4 Punkte – nicht sehr wichtiger Faktor;  
5-7 Punkte – wichtiger Faktor;  
8-10 Punkte – sehr wichtiger Faktor.  
Ihre Bewertung, tragen Sie bitte in der Tabelle ein:

№	Faktor Auswertung Beiträge	Bewertung (1 bis 10)
1.	Erfahrung	9
2.	Komplexität der Arbeit	10
3.	Qualifikation	8
4.	Arbeitsbedingungen	7
5.	Fähigkeiten	10
6.	schädliche Arbeit	9

Abbildung 1: Musterbewertungsformular

Ebenso wurde eine Umfrage durchgeführt, bei der die Arbeiter der Miene relevante Faktoren bei der Bewertung folgender Positionen vorzunehmen hatten: Administration, Kontrolle und Hauptbuchhaltung der an der Oberfläche beschäftigten Arbeitnehmer (Platinenposten); Arbeit in der Bergwerksoberfläche, Führungskräfte, Fachkräfte und Mitarbeiter in der Verarbeitungskette der Primärproduktion (Chef der Brigade).

Der in der zweiten Phase der Entwicklung des Grading-Vergütungssystem ermittelte Wert positioniert die Mitarbeiter genauer durch eine Analysemethode, die von der Faktor-Methode abgeleitet wurde (Tabelle 1) [4]. Die Bedeutung der einzelnen Faktoren wird durch die Addition der Werte, die die Experten für jeden Faktor setzen, bestimmt.

Tabelle 1

Auswertung der Arbeitnehmer von gefährlicher und beschwerlicher Arbeit

Faktor Bewertung	Gewicht-Verhältnis, %
Erfahrung	17
Komplexität der Arbeit	15
Qualifikation	15
Arbeitsbedingungen	19
Fähigkeiten	15
schädliche Arbeit	19
zusammen	100

Ebenso definierten wir die Koeffizienten der Gewichtungsfaktoren für die Bewertung: Administration und Kontrolle für die an der Wellenoberfläche beschäftigten Arbeitnehmer; für Führungskräfte, Fachkräfte und Mitarbeiter in der Verarbeitungskette der Primärproduktion.

Tabelle 2

Punkte-Skala: Büro Arbeitnehmer von gefährlicher und beschwerlicher Arbeit bestimmen das Gewicht der Bewertungsfaktoren durch markieren der Beiträge

Faktor Bewertung	Niveau Beurteilung					
	F 1	F 2	F 3	F 4	F 5	F 6
Erfahrung	0	12	24	36	48	60
Komplexität der Arbeit	0	12	24	36	48	60
Qualifikation	0	12	24	36	48	60
Arbeitsbedingungen	0	12	24	36	48	60
Fähigkeiten	0	6	12	18	24	30
schädliche Arbeit	0	12	24	36	48	60

Installierte Gewichtungskoeffizienten als maximale Punktezahl Punkte der relevanten Faktoren die jeder Ebene der Bewertungspunkte zugeordnet (Tabelle 2) werden.

Auch entwickelte sich ähnlich eine Punkteskala für Führungskräfte für in den Arbeitsbereichen Wellenoberfläche beschäftigten Arbeitnehmer; für Führungskräfte, Fachkräfte und Mitarbeiter in der Primärproduktion. Nach Auswahl der Bewertungsfaktoren erfolgte eine Gewichtung für alle Positionen aufgrund von Schlüsselfaktoren. Die Auswertung für die Kohleindustrie der einzelnen Positionen ist in Tabelle 3 angegeben.

Tabelle 3

### Ergebnis der Bewertungspositionen

	Bewertungsfaktoren										Gesamt Punkte
	F 1	F 2	F 3	F 4	F 5	F 6	F 7	F 8	F 9	F 10	
für die Mitarbeiter des Verwaltungsapparates											
Stellvertretender Direktor HR-Manager	5	9	6	8	10	8	0	0	0	0	46
Ingenieur für Arbeitsschutz	5	9	6	9	10	9	0	0	0	0	48
Stellvertretender Direktor für Wirtschaft	7	8	6	5	7	8	0	0	0	0	41
Leiter Buchhalter	8	9	7	9	10	8	0	0	0	0	51
Leiter Wirtschaft	6	7	7	9	10	6	0	0	0	0	45
Abteilung Organisation	8	8	7	9	10	9	0	0	0	0	51
Abteilung Planung	9	8	7	9	10	8	0	0	0	0	52
für Arbeitnehmer Untertage in gefährlicher und beschwerlicher Arbeit											
Sprengstoff	0	0	0	9	8	7	10	10	10	0	54
Senker	0	0	0	9	8	10	10	7	9	0	53
Ausschachtung	0	0	0	9	8	7	8	10	10	0	52
Elektromechaniker	0	0	0	8	10	7	7	10	10	0	52
Fahrer von Elektrofahrzeugen	0	0	0	8	10	7	7	10	10	0	52
Fahrstuhlführer	0	0	0	8	10	7	8	10	9	0	52
Maschinist	0	0	0	8	10	8	8	10	9	0	53
Miner Arbeitsfläche	0	0	0	9	10	7	8	10	10	0	35
Onsetter	0	0	0	9	8	7	7	8	9	0	48
Transportfahrer	0	0	0	8	8	6	7	9	9	0	47
Schachtarbeiter	0	0	0	7	7	6	6	8	10	0	44
Kohlelader	0	0	0	7	7	6	6	9	10	0	45
für Arbeitnehmer in den Arbeitsbereichen Wellenoberfläche											
Oberflächenarbeiter	0	0	0	7	9	8	8	0	0	6	38
Signalgast	0	0	0	9	8	9	8	0	0	4	38
Holzlager Arbeiter	0	0	0	9	8	7	8	0	0	5	37
Elektroingenieur	0	0	0	8	9	7	7	0	0	5	36
Betreiber der Miene	0	0	0	8	7	7	7	0	0	5	34
für Führungskräfte, Fachkräfte und Mitarbeiter in der Produktion der primären Verarbeitungskette											
Einrichten Fördergebiete	8	9	7	10	9	7	0	6	0	5	61
Stellvertretender Direktor Kohleextraktion	9	9	7	9	8	8	0	5	0	5	60
Einrichten Checkpoint Land	8	7	6	9	8	7	0	10	0	5	60
Leitender Mechaniker	8	9	7	7	8	7	0	6	0	5	57
Vorarbeiter	8	9	7	8	10	8	0	6	0	5	61
Einrichten Bergbaugebiete	9	8	7	8	9	7	0	7	0	4	59

Der dritte Bauabschnitt des Grading-Lohnsystem ist abhängig von der Anzahl der Punkte für den jeweiligen Quotienten per Posten und kann hierarchisch zugeordnet werden, die Qualifikationsgruppe (Klasse) sollte danach konsolidiert werden [4].

Grady ist eine Reihe von Punkten oder Positionen, die als gleichwertig gelten und im Unternehmen daher den gleichen Lohn-Bereich zugeordnet werden [3]. Somit definiert sich die Klasse durch Aufteilung der Menge auf die in Tabelle 9 aufgeführten Punkte. Die Mindestpunktzahl beträgt 34. Die maximale Punktzahl 100 vereint alle fünf Grade, also auch die der 1. Klasse, die weniger als 35 Punkte hat, die zweite Klasse umfasst Punkte von 36 bis 42, die Dritte von 43 bis 49, die Vierte von 50 bis 56 und die Fünfte mehr als 57 Punkte. Die vierte Stufe von Gehältern für jede Sorte Satz reicht, primäre (Grund-) Gehalt für Positionen, die in jeder Klasse enthalten sind, zu bestimmen.

Tabelle 4

## Der Aufbau von Beziehungen der Zwischenqualifikation

Grade	K <sub>min</sub>	K <sub>max</sub>	Durchschnittlicher Wert im Bereich von K <sub>cep</sub>	Absolutes Wachstum K <sub>cep</sub>	Relatives Wachstum K <sub>cep</sub>	Breite des Bereichs	Überlappung im Bereich
F 5	6,6	7,6	7,0	1,4	20,0	0,6	0,8
F 4	5,2	6,2	5,6	1,4	25,0	0,6	0,8
F 3	3,8	4,8	4,2	1,4	33,3	0,6	0,8
F 2	2,4	3,4	2,8	1,4	50,0	0,6	0,8
F 1	1,0	2,0	1,4	0	0	0,6	0,8

Installation dieser Art der Abstandsverhältnisse werden in "Plug" Gehälter durch Multiplikation der minimalen und maximalen Verhältnisse im "Plug" umgewandelt und somit kann das Unternehmen den Mindestlohn ermitteln.

**ERGEBNISSE**

Als Ergebnis der Arbeit mit Grading-Lohnsystemen in der "OP Mine Chaikin SE Makeevugol" lässt sich eine Zuweisung des Mindestgehalt für einen Mitarbeiter in der betreffenden Position ableiten.

Tabelle 5

## Gehaltsstufen im "OP Mine Chaikin SE Makeevugol"

Grade	Minimalgehalt	Maximalgehalt	Durchschnittliches Gehalt
F 5	8038,80	9256,80	8526,00
F 4	6333,60	7551,60	6820,80
F 3	4628,40	5846,40	5115,60
F 2	2923,20	4141,20	3410,40
F 1	1218,00	2436,00	1705,20

Die o.g. entwickelten Intervallkoeffizienten auf die Gehälter durch Multiplikation der minimalen und maximalen Verhältnisse in der "Plug" werden als Mindestlohn in der Gesellschaft umgewandelt. D.h., der Mindestlohn am Set beträgt 1.218 USD, während am Band die Gehälter die gleichen sind, wie in Tabelle 5 dargestellt.

**DISKUSSION UND SCHLUSSEFOLGERUNGEN**

Die Materialkosten für die Einführung des Bewertungssystems sind relativ gering, die Kosten entsprechen dem Lohn der Mitarbeiter der Personalabteilung. Die Notwendigkeit, Spezialisten einzubeziehen tritt auf, wenn das Unternehmen mehr als 300 Mitarbeiter beschäftigt. Experten folgern, dass der Profit der Organisation nach der Implementierung des Systems um 20% wächst. Das Management stellt daher ein Teil des System des Unternehmens dar, das eine Einrichtung der objektiven Werte der einzelnen Mitarbeiter für die Organisation, eine Verbesserung der Karrierechancen der Mitarbeiter, eine Erhöhung der Effizienz der Nutzung der Lohnsumme von 10% auf 50%, eine Steigerung der Aufmerksamkeit potentieller Kandidaten auf dem Arbeitsmarkt sicherstellt. Somit dient der Einsatz von Bewertungssystemen in der Praxis nicht nur der Standardisierung der Löhne im Unternehmen, sondern auch die Effektivität des HR-Management und des Managements im Allgemeinen.

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## **SUSTAINABLE DEVELOPMENT IN MINING: APPROACHES TO IMPLEMENTATION IN UKRAINE**

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**Abstract:** *The article deals with the issue of sustainable development in mining industry. There has been made an assumption that a mine faces and at the same time causes a harmful for internal and external environments phenomenon named as sustainability roll. A special zone of sustainability for a mining company is offered to define as a space on coordinate plane "costs-revenues" formed with the circles of sustainability.*

**Keywords:** *sustainable development, mining industry, sustainability roll, sustainability zone, management*

### **INTRODUCTION**

Anchoring practical mechanisms and instruments by mining companies in transitive economies based on natural resources trade is of great importance. How to make sustainable development attractive for investors and mining magnates remains a topical issue. There is a fundamental difference in the postulates of the market economy and the view prevailing among business persons and managers about the importance and necessity of implementing socially and environmentally effective projects. This is reflexively expressed in their personal attitude to these projects in the past and positioning them within the hierarchy of priorities designed for a company to be developed in the long-run perspective. In other words, the process of sustainable development, as it is seen by the leaders, has a high level of cost and a low level of profitability [2]. At the same time, the company operates under the rules of the market economy, i.e. the company is oriented on financial benefits gained as a result of the implementation of environmental and social projects. Among such projects are rendered public services (education, health, culture and recreation), which do not bring direct financial benefits to the enterprise in the form of revenue.

Lack of indicators to measure a company's image enhanced due to socially responsible policy leads to unclear and vague evaluations of sustainable development efficiency [1]. Increasing market value of a sustainably developing enterprise, its improving position in the rankings on sustainable development are relevant to the case if the company has a public form of ownership, is preparing for being sold, meets a number of financial indicators and indicators of scale to participate in the process of rating. Otherwise, the implementation of social and environmental projects now requires incurring additional costs and cuttings of net profit. In this case, the opportunity cost calculated as the effect of other possible projects, which could have been implemented if these costs would have been incurred for other projects, may exceed the resulting non-economic social and environmental effect of sustainable development estimated by experts.

All this increases the risk that an enterprise will refuse to implement social and environmental sustainable development projects [5] especially under conditions of changed owners or top managers, and without possible grants from public authorities. Therefore, the conceptual platform of the sustainable development of mining companies must be integrated into the free market model so that a company may be profitable and follow the principles of economic, social and environmental sustainability and this benefit may be measured in monetary units.

### **MATERIALS AND METHODS**

The main results of the research were obtained with the use of the following methods. The hypothesis about existing sustainability roll in mining industry was offered by means of

critical thinking approach and generic trends in external environment of mining companies. A zone of sustainable development on the coordinate plane "costs and revenues" was found in the result of employing a method of geometric analysis of circles.

## RESULTS

At the global level, a similar example is an artificially created world market of quotas for CO<sub>2</sub> emissions under the Kyoto Protocol. A company introducing innovative green technology, can sell in the global market the excess over reduced emissions but under allowed emissions, which actually had been received due to these technologies. In this case, a company not only compensates costs of innovations, but also gets additional benefit [3, 4].

It was found that a mining company by its nature violates the principles of sustainable development not only during active operation stage of its life cycle, but also after its liquidation as an economic entity. Then a dilemma arises. It is proposed to think it of as a dilemma of transitioned stability roll in the development of the mining company (Sustainability Roll in Transitive Mining) (Figure 1).

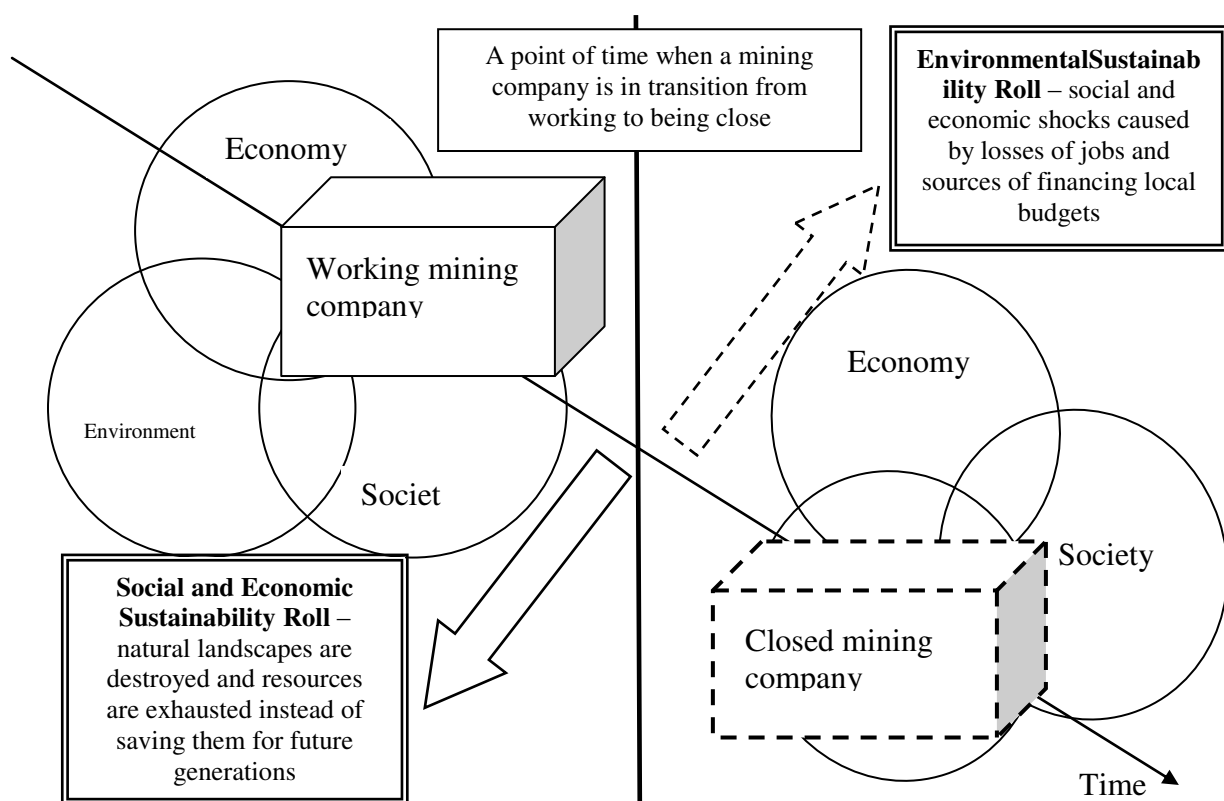


Figure 1: Sustainability Roll in Mining Transition; Source: developed by authors

The economic essence of sustainability roll observed during the development of the mining enterprise can be determined as a concentration of resources to perform more tasks in one or two areas, i.e. economic, social and environmental. It accordingly allows satisfying the interests of certain groups of stakeholders to a greater extent than others.

If a mining company is active in the economic area, then its standing could not be called absolutely sustainable due to the significant ecosystem disruption (social and economic sustainability roll). In turn, the termination of the process of destroying the ecosystem causes social and economic shocks in the territorial development (environmental sustainability roll). Therefore, in this regard, it can be concluded that both the actual mining activities and its termination shall not contribute to the achievement of sustainable development of internal and external environments of the company. This precedes the question of the possibility to ensure sustainable development of a mining company even after its liquidation, as an economic entity.

Sustainability roll is a dynamic characteristic of the mining enterprise development, which is explained by its shift and especially clearly observed in the transition from active mining enterprise economic activity to its termination. This suggests that the roll of the enterprise agile in time. At different points of time, at different stages of development of the enterprise we can see deterioration in the economic, social or environmental internal and external subsystems of the company due to a specific variant of the reallocation of resources. Social wellbeing and prosperity as well as economic growth of Ukraine are significantly dependent on the mining companies' performance. For example, according to some estimates, economies of some regions in Ukraine experienced production of mining industry about 15-30% of the gross regional product in 2012. By extension, mining companies play a crucial role in maintenance and development of industrial and infrastructure skeleton or urban network of the whole territory.

In fact, these companies are city-forming, i.e. they influence the following items:

- economic growth of a region, specifically investment climate, entrepreneurial enthusiasm, and fiscal capacity of a certain geographic area;
- social standards of living available to people in a territory, namely demand for labor services, appropriate wage rate, infrastructure conditions, and population growth;
- Environmental safety including special strategies to support favourable ecological conditions as well as to monitor and forecast accidents triggered by broken technology across a region.

However, through market fluctuations accompanied with decrease in demand for raw materials, exhaustion of mineral resources, the necessity of mining facilities being closed occurs. There are real challenges and risks that geographic areas, where those mining companies are located, will get degrading economically, socially and environmentally.

Taking into consideration all said above, we can formulate the following provision to complement existing theoretical foundations for sustainable development of the mining enterprises. Sustainability in the development of the mining company does not disappear or appear as a permanent feature because the company always has internal economic, social and environmental impact and is always integrated into external upper system. However, the efficiency and effectiveness of sustainable development of the mining enterprise depends on the harmonious interaction of these areas. It is reflected in the roll of sustainability of mining enterprise that is changing in the transitional stages of its operations. Mining company after termination of economic activity also has a roll of its sustainable development at a post-termination stage. The area of the sustainable development of the mining enterprise in enlarged form is illustrated for better understanding the principal of calculating sustainable position of a company (Figure 2). We define the coordinates of points limiting the area. They are the general solution of the equation system of three pairs of circles describing the economic, social and environmental clusters. In this case, it is obvious that these decisions imply only positive roots. Figure 2 shows that a positive solution of this system will point by coordinates  $F$ ,  $G$  and  $H$ .

Then, the final optimization model for finding a zone where an enterprise develops sustainably will be as follows:

$$\left. \begin{aligned} P &= K_{EC} \cdot \sum_{i=1}^{m_{EC}} (x_{1ECi} - x_{2ECi}) + K_S \cdot \sum_{i=1}^{m_S} (x_{1Si} - x_{2Si}) + K_{EL} \cdot \sum_{i=1}^{m_{EL}} (x_{1ELi} - x_{2ELi}) \rightarrow \max \\ 0 &\leq K_j \leq 1; \quad \sum_{j=1}^3 K_j = 1, \quad x_{1,2ij} \geq 0, \\ \min(x_{1H}; x_{1G}) &\leq x_{1ij} \leq \max(x_{1F}; x_{1G}), \\ \min(x_{2H}; x_{2F}) &\leq x_{2ij} \leq \max(x_{2F}; x_{2G}), \\ \lambda_{EC} \cdot \sum_{i=1}^{m_{EC}} (x_{1ECi} - x_{2ECi}) &\geq \sum_{i=1}^{m_{EL}} x'_{2ELi} + x'_{2S1} + x'_{2S3}, \quad 0 \leq \lambda_{EC} \leq 1 \end{aligned} \right\}$$

where incomes  $x_{1ECi}$ ,  $x_{1Si}$  and  $x_{1ELi}$  are of  $i$ -object belonging to economic, social and

environmental areas of a company;  $x_{2ECi}$ ,  $x_{2Si}$  and  $x_{2ELi}$  are costs of  $i$ -object belonging to economic, social and environmental areas of a company;  $m_{EC}$ ,  $m_S$  and  $m_{EL}$  are numbers of objects in economic, social and environmental areas of a company;  $k_{EC}$ ,  $k_S$  and  $k_{EL}$  are coefficients of importance of economic, social and environmental areas of a company;  $x_{IH}$ ,  $x_{IG}$  and  $x_{IF}$  are incomes at points  $H$ ,  $G$  and  $F$ , restricting a zone of a company's sustainable development;  $x_{2H}$ ,  $x_{2F}$  and  $x_{2G}$  are costs at points  $H$ ,  $G$  and  $F$ ;  $\lambda_{EC}$  retained profit gained in economic area and distributed to social and environment areas;  $x'_{2ELi}$  are costs of unprofitable social and environmental projects of a company.

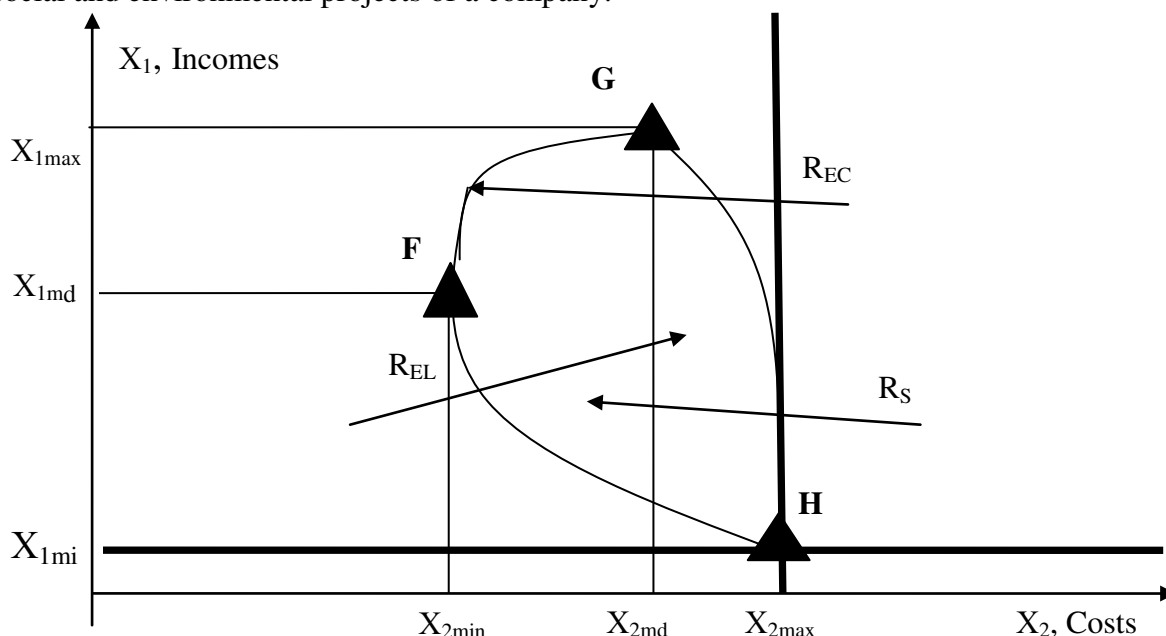


Figure 2: Zone of Relatively Sustainable Development of a Company;

Source: developed by authors

## DISCUSSION AND CONCLUSION

By analyzing clusters, values of revenues and costs of economic objects of the mining companies relating to internal and external parts of the relevant economic, social and environmental systems can be determined. Then, the development of the company will be characterized by a roll of sustainability regarding relative or absolute stability. As a result, the approach to mathematical formalization of sustainable development of mining enterprises and to efficient resource allocation and processes management to achieve economic stability was approved. It is proved that the point of sustainable development of the enterprise is characterized with objects regardless of the system that generate the same amount of revenue and are maintained by the same amount costs. However, the methodology of our research can be regarded as disputable determining sustainable development of a company.

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# COMPATIBILITY OF HIGHER EDUCATION AND LABOR FORCE MARKET

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**Abstract:** *The issue of compatibility of higher education with the labor force and determination of the strategy of education on this basis is one of the actual problems. In recent years, many important international researches were dedicated to study of this problem. They were conducted in different directions: to balance the supply of qualified human resources to the labor force market and the demand on these resources; to reach the compatibility between the competences of higher education graduates and the market demands; increase of the growth in the role of higher education in the process of providing the social mobility. The results of the qualitative and quantitative analysis of higher education and the market demands and the recommendations elaborated on this basis can be used in the higher education sphere in the process of the state policy regulation.*

**Keywords:** *education, strategy, labor force, market, regulation, state policy*

## INTRODUCTION

In the epoch of knowledge economy the higher education is a moving system of the world development and competition; by the way of teaching, research and innovation it promotes formation of the knowledge and permanent development of the labor force competences, which correspondingly is the factor of economic growth (Sursock and Smidt, 2013). Proceeding from these arguments, in recent decades, the higher education system keeps permanent expansion in Europe and the world. For example, in 2000-2012 the amount of students in the higher education system of Europe increased by average 22%, which is average 2, 7 annual growths (ILO 2013).

This tendency of higher education system expansion is based on the argument, according to which improvement of the education system means bringing of economic (growth in the incomes and employment indicators, development of human capital) and social (growth in the stability and well-being indicators) benefits for both individuals and the society (Machin and McNally, 2007).

## MATERIALS AND METHODS

The monitoring over compatibility of the returns of higher education system with the labor market demands is an important indicator for evaluation of its efficiency by today. In recent years, many important researches were dedicated to the problem of compatibility of the labor market and higher education. From this viewpoint, the UNESCO global monitoring report (UNESCO, 2013) is of great interest.

## RESULTS

A general analysis of the scientific literature shows that coordination of the tendencies in the development of labor force and higher education system is interesting in the three strategic directions:

First is to provide the balance between human resources supply and demand on this resource at the labor market. Proceeding from the simple logic of demand-supply, growth in the amount of graduates, in other equal terms, will cause reduction in their salaries, because the supply of the labor of relevant qualification grows at the market, which lowers its price. However this simple cause-effect relation does not always work. The higher education system, according to the modern theories, not only responds to the change of demand at the market, but itself can cause growth in the demand for graduates (Machin and McNally, 2007).

Achievement of the balance in supply-demand, the permanent analysis of the situation in this direction and determination of correct strategy is important challenge of the educational policy.

Second direction is the growth in compatibility of the demands existing at the market of competences of higher education graduates. The structural changes in economy put forward new challenges to Europe, because the development of economy requires relevant skills. The labor market dynamics is expressed not only in the formation of qualitatively new work places, but in the change of qualification requirements at the existing work places (European Center for the Development of Vocational Training, 2010).

Third direction is the growth of the role of higher education from the viewpoint of providing the social mobility and social equality. The higher education, according to the modern researches, is the prerequisite for higher payment and employment. Two main indicators are used to determine qualitative and quantitative compatibility of the higher education and labor force with the market demands: education returns and relative benefits according to the educational level. Returns of higher education represent the relation between the expenses on education and the public and personal financial benefits received from education. Private and public returns are differentiated: private returns are the correlation of expenses spent on the higher education by the individuals and received salary benefits (after the taxes). Public returns represent the correlation of the expenses spent on the higher education by the state or the society with the revenues received from employment. The relative benefits of the higher education according to the levels of education are another measure of the system efficiency. To calculate this indicator they compare incomes of the persons with higher education and chances of employment. The analysis of returns of higher education and the relative benefits within Europe enabled us to make some vivid conclusions on the efficiency of education:

*1. Within last decades in parallel with the supply, the demand on higher education grows. Even more.*

According to one of the OSCE researches, the incomes from employment of persons with higher education in the European countries is 55% more compared with persons with secondary education. This difference grows with the age. In the age group of 25-34 the difference is 37%, in the age group of 55-64 it is 69% (OECD, 2012).

*2. In the background of recession the amount of work places in Europe generally reduces. Especially high are the indicators of unemployment among the young generation.*

Growth in unemployment indicators and unemployment of youth is one of the most important European and world challenges. For 42-year-old man one year long unemployment can reduce his incomes by 21% (ILO, 2013). According to the OSCE recent researches, within last 10 years, the indicators of unemployment among the young generation in Europe compared with the population of an older age is comparatively twice higher. By data of November, 2012 the unemployment among the youth in the European Union is 22% (OECD, 2012).

*3. Despite potentially great efficiency of high education, it does not properly fulfil the function of equalization of inequalities existing in the society.*

The researches prove that in the contemporary society very strong relations exist between the social origins and achieved social status (Bussi M. 2012). For example, the level of education is the most important indicator of employment status. This means that education also plays an important role from the viewpoint of providing the social mobility. According to the recent data, in 25-34 age group average for the OSCE countries approximately half have the education like their parent, from which only 15% have higher education. The indicator of the social mobility is the lowest in Turkey, Spain, Portugal and Italy (Triventi, 2013).

The researches on the relation of higher education and labor force market in Georgia are very scanty. This deficit, first of all, is conditioned by lack of a systemic approach at the national level for the analysis of relations between the labor market and the system of education. For example, based on the database of the Georgian National Statistical Service it is impossible by today to calculate the higher education returns and the relative benefits. Despite this, within several last years in Georgia the empirical material was accumulated for

the general analysis of the relations between the labor market and higher education. The information is mostly based on the researches of 2010-2013 conducted in Georgia by Tempus Program, International Organization of Migration (International Institute of Education Policy Planning and Management, 2013) and enables to make the following general conclusions:

*By data of 2013, the higher education in Georgia is the important factor determining the growth of indicators of incomes and employment.*

It is expressed in the fact that the average income of a person with higher education is 3 times higher than the income of a person with general education; the chances of person with higher education for being employed increase twice compared to a person with general education.

*The higher education is a potentially efficient instrument equalizing the social inequality existing in the society, though availability of higher education is still limited by today.*

In the group of the poorest population the indicator of involvement in the higher education is 9%, and in the group of the richest population this indicator is 38%. With the aim of planning the policy in the higher education we consider the following recommendations: according to the world tendency in the growth of incomes and relative benefits of the higher education, it is expedient in Georgia to increase state financing for the higher education. Because according to the international researches, the growth of state financing on the higher education causes improvement of indicators of employment and incomes. It is important for rational use of expenses on the higher education to take into consideration while subsidizing the higher education the indicators of real returns according to the academic directions. Nowadays, the primary task is to accumulate the indicators of education returns in Georgia and to operate the system of monitoring on the tendencies. In this case we consider to adopt the following steps for improving the situation in this direction: revision of the existing employment model, educational sphere and qualification' classification compliance with demands of UNESCO and International Labor Organization (ILO) (International Standard Classification of Education <http://www.uis.unesco.org/Education/Documents/iscd-2011-en.pdf>; ISCED Fields of Education and Training <http://www.uis.unesco.org/Education/Documents/iscd-fos-consultation-draft-2013-en.pdf>).

## DISCUSSION AND CONCLUSIONS

In this article we have analyzed the potentials for realization of the higher education according to the labor market demands. We have studied the general tendencies, which describe the compatibility of the education and labor force in Europe and Georgia. The analysis of mentioned indicators is formed the possibility to elaborate the recommendations, which can be used for the creation Georgian state policy in educational sphere.

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## FEATURES OF COMPETITIVE TRADE'S FORMATION IN UKRAINE

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**Abstract:** *The subsystem of competitiveness internal trade is systematized in this article. Author determines tools and mechanisms that can be used for the developing purposes of subsystem of competitiveness domestic trade in Ukraine. The mechanism of interaction between institutional sphere of commodity circulation and their function are described here. Ways to improve the efficiency of the sphere of commodity circulation are justified by author and proposed for the discussion.*

**Keywords:** *competitiveness, internal trade, subsystems of competitiveness, commodity circulation*

### INTRODUCTION

Nowadays, the concentration of scarce economic resources and capital mostly in certain economic sectors and regional centers has proven to be inefficient and continues to lead to increasing regional disproportions of social and economic development, to suppression of human entrepreneurial initiative, to reduction of life quality at sub regional and local levels, to uneven development of the internal market and so on. Significant counterweight of outlined processes is the Systemic State policy to enhance competitiveness at different levels of the systemic administrative hierarchy, to improve the economic structure and spatial development, to raise the efficiency of institutional reforms and to achieve the high level of dominant factors and component to raise competitiveness the national economy and its regional economic complexes. Moreover, an important element of state policy in this sphere is to form and further development of the competitive sphere of commodity circulation. Healthy competition and high competitiveness of the industry encourages increasing performance of business entities, to satisfy qualitatively demand of businesses and individuals in goods, to provide competitive prices, high quality and wide variety of goods and services. Also solution the problem of forming the competitive sphere of commodity circulation is important because of dominant social and economic role of the consumer market.

It should be noted that A. Haidutsky considers industry's competitiveness as a description of its structure, competitive situation and investment scale, technology development trends and opportunities' identification for their implementation [3]. These parameters reflect the efficiency and stability of the industry. But other conditions are necessary to achieve this, including adequate resource provision and controlling these processes. Positive is that L. Kovalska proves feasibility of connection between the concepts of goods' competitiveness and enterprises competitiveness in the technical, economic and organizational conditions through effective resource utilization, customer satisfaction, well-developed branch infrastructure, workable scientific, research, production, material and technical bases as well as effective scientific, technical, manufacturing, logistical, intra sectoral and cross-industry collaboration [4, p. 350-355].

Also it should be noted that infrastructure has a vital role in ensuring the competitiveness of the national economy, because business entities perform the necessary coordinating, supporting and stimulating functions and tasks.

Therefore I. Kryuchkova distinguishes infrastructural factors between elements of sectoral competitiveness i.e. level of development informational and communicational technologies, transport capacity, measure of modernization and renovation of fixed assets and innovative activities [6, p. 11].

As for the systems of higher levels, usually competitiveness is equated with the achievement of a specific result. For example, it can be improvement the life quality and regional investment attractiveness [1, p. 331], GRP per employee, average wages, total

regional profit, sectoral economy development [5, p. 33], total growth of income and employment, profits and investments, taxes and charges [8].

Wider range of criteria is used by domestic and international economic organizations in assessing the regional and territorial competitiveness. For example, methodology of the World Economic Forum and the Fund "Effective management" includes such indicators as instability of governmental policy, inflation, tax rates, corruption, financial access, labor ethics, health level of population, state of educational sphere, infrastructural development, labor market regulation, currency stability, crime rates [2]. These indicators reflect mostly characteristics of certain territory for habitation and business. Competitiveness is investigated also in commerce/trade. Thus, T. Futalo analyzes the competitive environment of retail systems and argues that characteristics of competitiveness in the commodities circulation are the marketing, commercial, infrastructural and innovative factors, economic potential of the industry and the effectiveness of its regulation [7, p. 243-260].

Although the issue of formation a competitive internal trade has accumulated significant attention of scientists, the problem for systematization of subsystems of the competitive sphere of internal trade and finding ways to raise effectiveness of the domestic commodity circulation has been researched not enough.

## **METHODS**

Following methods have been used in our research: theoretical generalization and comparison, analysis and synthesis, systematization, graphical visualization.

## **RESULTS**

Problems of organization and management development of commodity circulation at the national level are poorly studied today. These issues are partly coordinated by the relevant departments of the Ministry of Economic Development and Trade of Ukraine and regional trade management authorities at regional level. However, mentioned state authorities perform the permissive tasks and negotiation proceedings, analysis and control. The functions of planning and organizing the development of commodity circulation are not properly provided; therefore it develops evolutionary.

The mechanism of interaction between institutions of commodity circulation sphere and their functions is shown in Figure 1.

Figure 2 provides a holistic view of the signs of competitiveness of internal trade.

Detailing and formalizing of these signs gives the possibility to establish indicators of competitiveness of domestic trade. They can be quantified in points according to methods of the World Economic Forum "World Competitiveness Yearbook" and the International Institute for Management and Development. Subsystem of economic efficiency is one of the most important parts of the competitiveness of the sphere of commodity circulation.

It is well-known that the economic system of any level cannot function with losses or inefficient using resources, as well as in conditions of absence capital payback. It applies to the sphere of commodity circulation too.

Therefore, it is important to keep the rational structural characteristics in the development, the positive trend in reproduction processes and the maximal realization of socio-economic sectoral functions.

Activities of business entities, providing the sale of agricultural goods, food processing and light industry, and mechanical engineering are inefficient today. Logistics centers and infrastructure of retail are inadequate for market requirements.

Activities of the sphere of commodity circulation in small cities and rural areas are inefficient.

Thus, there is a situation of inefficient operation of trade enterprises. Domestic market is overfilled with import goods with unreasonably high prices. Stimulus of domestic producers is absent. The reasons for this are objective; trading enterprises cannot overcome them alone.

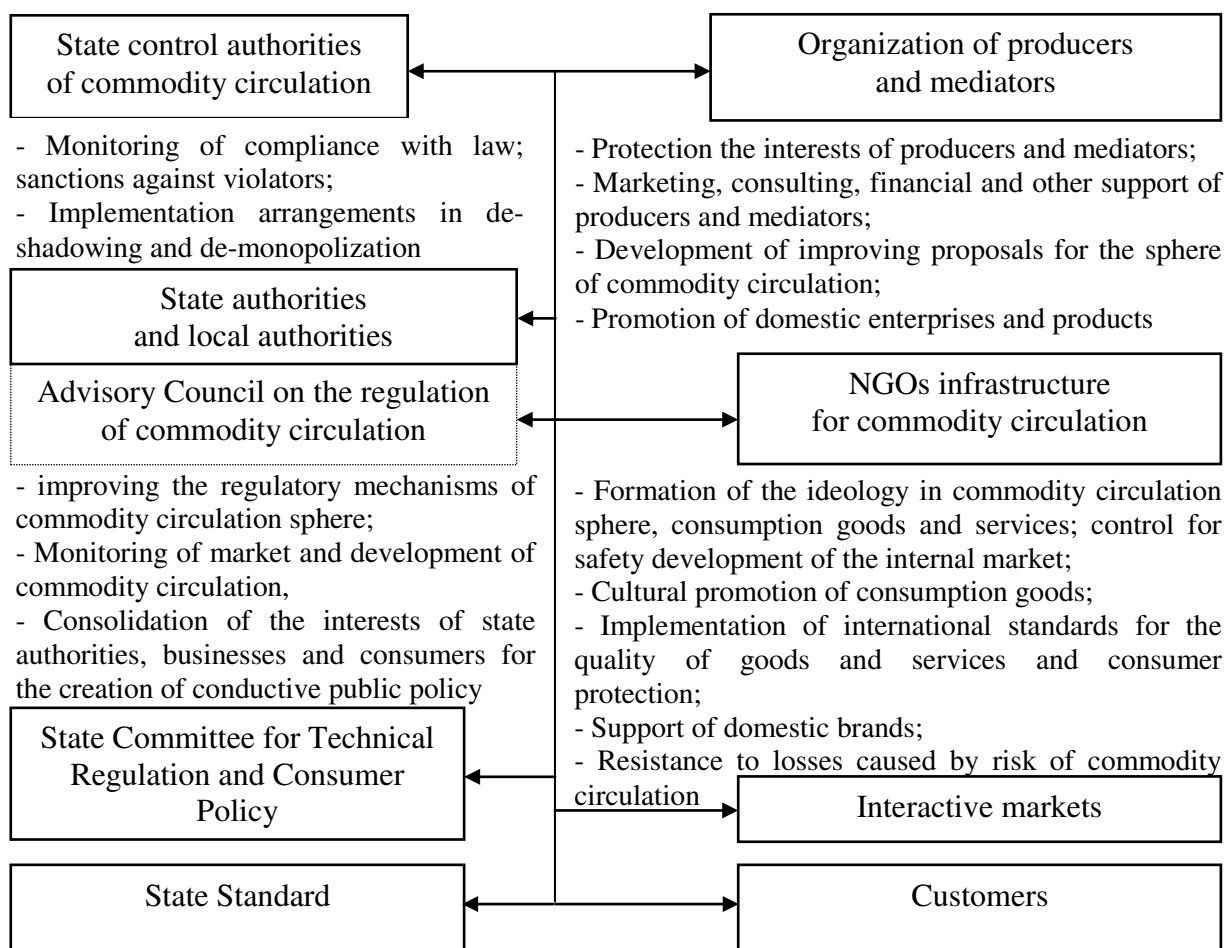


Figure 1: Interactive functions of institutions of commodity circulation

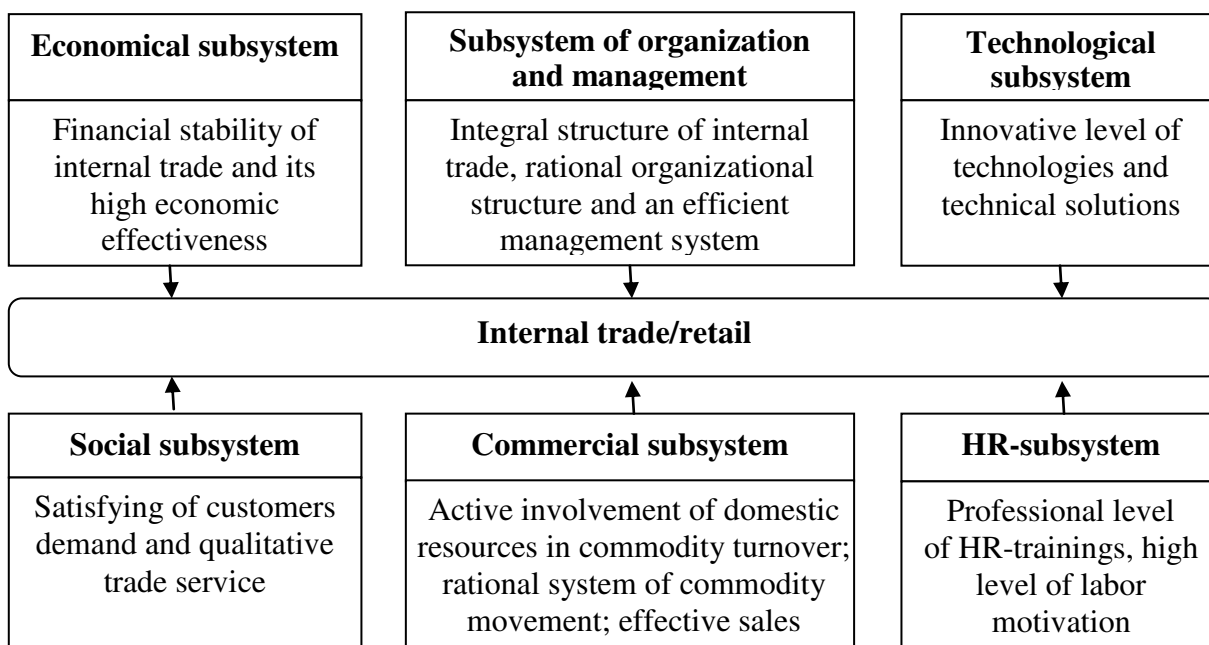


Figure 2: The main features of competitive sphere of domestic trade

*Source: created by author*

Public-private partnership should be focused on solving these problems. State or local authorities can allocate land concessional and provide governmental guarantees. And business entities can use the land for warehouses, logistics, commercial or other items for profit. Share of profit should be directed to the development of local economic or social infrastructure, rising

employment and so on. Such cooperation of the state and the private sector could be aimed at the solving problems of commodity circulation development in Ukraine. For example, it is the investment to develop of peripheral territories and the conversion of abandoned and unused sportive and cultural facilities into the modern commercial/trade multi-purposed facilities. Development and implementation of pilot demonstrative projects of public-private partnerships in trading are also effective. This requires revitalization of activity of Development Investment and Innovative Policy and development of public-private partnership, Ukrainian Centre for Promotion of public-private partnerships and relevant departments of the local authorities. Implementation of a set of measures to strengthen the competitiveness of the marketing component of the commodity circulation sphere will improve effectiveness. Increased integration of domestic producers, trading companies and other business entities in sphere of commodity circulation is effective. Mentioned integration could be moved from production to consumption and vice versa. The first type involves the continuous monitoring of commodity circulation and promotion of domestic products in the distribution network. The second type involves providing grants and other governmental support of domestic producers for the formation of new market segments, modernization of production, trade, technology and business processes to satisfy demand of the domestic market.

Marketing subsystem of competitive sphere of commodity circulation includes systematic conducting registers of enterprises, retail and wholesale trade entities; of information and analytical observation of the regional and local markets for goods and services; promotion of national trade entities in participating in international, national and regional exhibitions, fairs and other promotional events and forums. Huge network of hyper- and supermarkets is developing in Ukraine quickly. This is due to both objective and subjective factors. This distorts fair competition environment and leads to monopolization of the industry. Accordingly, managing trade authorities should work to strengthen trade and technological subsystems of competitiveness of commodity circulation sphere. Targeted orientations of this activity are the improvement and increasing efficiency of trade and technological processes of trade enterprises of different sizes, types, formats and specializations. For this purpose the authorities should conduct a comprehensive inventory of trade business processes, explore contemporary global experience to bring it to the trade business entities, develop mechanisms for the implementation of promising practices in domestic trade activity. The main obstacle on positive intentions is the lack of investment to modernize logistics, trade and technological base. Tools for its removal are: 1) development and implementation of joint investment programs with representatives of financial and credit sector, which include the provision of state guarantees for long-term loans; 2) direction of the regional funds to support trade business and provide financial and credit help for small business; 3) investing of state or local authorities resources in the procurement entities, wholesale and retail trade in the regional centers and rural areas. It is important for the implementation of social features, i.e. to improve the quality of trade services, leveling differentiation of commodity circulation between the regional center and other regional areas, employment, formation of household infrastructure to improve the life quality of rural citizens. Similar tools and measures can be used to develop the resource subsystem of competitiveness of the domestic commodity circulation. Intellectual and human resources are important in this subsystem of commodity circulation provision. Improving the economic efficiency and the quality of merchant services depends on the formation and effective use of the intellectual and human resource capacity of business entities. It can be traced because of close connection of resource, organizational, professional and socio-psychological subsystems of competitive sphere of commodity circulation. Their improvement requires state funding programs of specialized training, retraining and advanced training of trade staff and infrastructural staff of commodity circulation, supporting the professional and social associations in the consumer market, cooperating with them, facilitating the participation of specialists in the sphere of trade in competitions.

The economic cooperation of trade enterprises, educational and research institutions is perspective. It is necessary to create the academic business entities that engaged in commercial activities in the sphere of commodity circulation with students. This positive experience is used in the U.S., France, Britain, Germany, Sweden and Poland. This is so called an academic enterprise. It is well-known that in context of globalization and increased competition in the domestic consumer market it is possible to ensure the development of domestic trade business by strengthening innovations, active diffusion of advanced technology and marketing, implementation of informational, technical and technological innovative projects. That's why specialized governmental authorities in collaboration with agencies of State Informational Science and State Informational Projects must work on the development and implementation in Ukraine e-commerce and its segments, e-support of the process stages and automation of internal and external business processes, improving effective accounting of products and customers and productive innovations.

## CONCLUSIONS

In summary it should be noted that the systemic effective trade policy to ensure the competitiveness of the commodity circulation should be directed to the harmonious development of all its subsystems. It means that progressive changes must occur in strategic areas in each trade subsystem. In addition it is important to provide the conditions for progressive changes and positive trends in trade by government and public institutions.

It should be emphasized that the competitiveness of domestic trade depends on internal and external conditions. Therefore, it is extremely important to create and provide the effective trade policy, to ensure a stable base of consumer's solvency, to expand national production, to stop uncontrolled imports expansion and trade capital in Ukraine, to reduce the tax burden, to provide access to credits, to complete deregulation of trade business and to strengthen the legal framework.

Thus, as a result of our study the tools and measures can be described which can be used for the purposes of development the subsystems of competitiveness of domestic trade. The mechanism of interaction between the institutional sphere of commodity circulation and their function is presented. Ways to improve the efficiency of the sphere of commodity circulation are suggested.

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# NATIONAL SECURITY WITHIN THE GLOBALIZATION OF FINANCIAL MARKETS

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**Abstract:** *This work considers the influence of a contradictory global development trend, i.e. globalization on formation of the financial sector which is characterized by an increase in financial flows, and necessity to ensure national security under such conditions.*

*Many scientific publications, various issues of authoritative international academic journals has been dedicated to globalization. They describe globalization as an irreversible process; they list advantages and disadvantages of globalization. At the same time anti-globalism representatives continue to gain momentum.*

*In the XXI century everyone's talking about globalization: presidents, prime ministers, members of parliament, who can resolve no problems if they leave this global development phenomenon aside, to ordinary citizens. So today it is obvious that globalization has become a main trend of the modern world development.*

*Therefore, economic security issues are most burning problems for every country; and this article envisages the main component – financial security – through the example of a transition economy. So over again we dedicate our study to this trend of global development in the context of national security within globalization of financial flows and markets.*

**Keywords:** *globalization, global finance, finance sphere, financial flows, financial security, indicators of financial security*

## MATERIALS AND METHODS

In our research, we focus on the opinion of the famous foreign and Ukrainian scientists, such as Brzezinski, Stiglitz, Soros, Pakhomov, Lukyanenko and others.

This study analyzes the collected statistical database for the period 2008-2012. It was calculated indicators of financial security of Ukraine.

For a comprehensive disclosure of the problem used general scientific principles of economic research, methods of synthesis and analysis, abstraction and specification.

Objective of this paper is to study the problems and issues of national security in the context of globalization of financial markets and global flows of capital.

## INTRODUCTION

Globalization means an increasing interdependence among countries of the modern world. Therefore we can clearly assume that the beginning of this century is characterized as a new phenomenon in human development. Globalization is a creation of a common economic and information space within the global (or planetary) scale. And in this early century this trend has become huge ever in human history. We shall also note that globalization reflects a new reality of growth of the global interdependence, which is mostly predetermined by new communication technologies. In this sense, globalization brings glory to this nice new era. But often people forget that "the world before 1914 was free of trade and financial barriers too, and even more open to migration" [1].

Thus, globalization is the most striking manifestation of progress, bearing many economic and social innovations. These innovations are very encouraging, not only by the previously unknown abundance of goods and services, but given a new image of humanity which is getting shaped up.

Yurii Pakhomov, a member of the National Academy of Sciences of Ukraine, believes that even now globalization, being a rising phenomenon, suffers a crisis, which is quite an

unexpected thing [4]. Globalization brings hazards, risks and challenges to humanity. As a contradictory phenomenon, globalization promotes some countries – usually these are highly developed ones – making less developed countries the outsider ones, what ultimately leads to new problems, and above all, to inequalities of global development, differentiation in the world economy and polarized society. Inconsistency of economic and financial globalization is manifested in the following:

*First*, a gap between world countries grows faster; a gap which coincided with the beginning of globalization for a reason and can be explained by an abrupt rise of unequal exchange. An example of this is a 2011 GDP per capita (calculated based upon currency purchasing power parity divided by the total population): some countries, such as Liechtenstein, Qatar, exceeded USD 100.000 limit, and less developed countries, such as Congo, Liberia, Burundi, had USD 300-400 (in 2011 the ratio was 1:250, in 2005 the ratio was 1:175, in 2000 the ratio was 1:100) [6]. As it can be seen, the differentiation has increased by 2.5 over the past decade. However, the GDP per capita is increasing worldwide, but only intensity differs.

*Second*, due to globalization a humanity threatening deformation of financial and market mechanisms and instruments is taking place. The changes are most noticeable in global financial sector through innovation of financial management and organization methods. Thus, financial globalization has increased the influence of international markets on lending activities and loans of non-residents; this has led to the growth of the international network of financial institutions and corporations, to increase of the foreign share of business and to radical changes in their cash flow management systems. Financial resources allocation is influenced by financial instruments which have now changed. We mean derivative financial instruments, which are usually replacing conventional securities in the turnover. In particular, derivatives (best known as futures and options), which were brought to use at the end of the 20<sup>th</sup> century – late 80's, as well as relatively new derivatives – the so-called exotic options. At the same time, financial globalization seriously affects the countries, as in new conditions competition of national economies for loans, freely redistributed across the new global world economy, gets tougher. Financial globalization makes countries to seek new ways to increase the investment attractiveness of the national economies.

*Third*: Serious threat to sustainable development of economy comes from the expansion of the global capital, especially speculative capital. Now most of the speculative capital is being reoriented into speculative enrichment; there is a gap between the real world GDP and a speculative capital.

However, since the Bretton Woods conference in 1944 the real world GDP has increased by 4 times and in terms of money by 40 times. "The manifestation of the crisis of the world financial system is characterized by a huge gap between a USD 400 trillion speculative capital (of which USD 140 trillion falls for the USA) and the world gross product of USD 40 trillion only". [5] In the late 70's of the XX century the gap was not much more than USD 20 trillion. Over the past 30 years it has increased to over USD 400 trillion due to stock market games and greenback emission. Thus, the global capital generates powerful speculative financial flows which lead to collapse of weak economies and destabilization of developed markets.

## RESULTS

### *Development of the modern financial sector in the context of globalization:*

In economic and financial spheres globalization is associated with revolution in technology, information, trade, foreign investment, international business, which result not only in increasing inequality between countries and nations, but also growing competition, ability of states and other globalization participants to resolve these problems. In globalizing economy the boundaries of national economies no longer play a significant role, and this economy obeys only its own laws. Formation of a huge financial sector is a peculiarity of the modern world. Its growth rates are significantly ahead of the real production capital dynamics.

Moreover, this financial capital has become a relatively independent and self-sufficient phenomenon. As a result a special type of human behavior, focus on financial transactions as the major life activity, has been formed. The global financial area is creating conditions for effective capital allocation. It is substantiated by a number of trends on the global financial market in the early XXI century, namely:

(1) Interdependence of the financial and real sectors of the economy is increasing, credit and financial infrastructure is being transnationalized and internationalized;

(2) Concentration rates of financial and industrial capital are growing, what leads to increased number of mergers and acquisitions;

(3) Banks are actively involved into offshore financial centers;

(4) Stock markets become more important due to widespread use of Internet technologies, and based on them a greater number of banking institutions are entering e-business. New financial market instruments are being created which further have transformed the commodity markets, especially raw materials markets.

Thus, the world is becoming virtually and the economic and political elite are losing control over financial instruments flow. This virtual world of the financial sector is moving at high speed and became uncontrollable. "This world is deterritorialized, it has no place of residence, a property subject is constantly changing, it easily goes beyond state's control, both national and international" [2].

Besides, the financial sector was influenced by deregulation and changes of law in most countries. For example, intrabank processes affected the nature of cross-border banking transactions, as well as its control by national and international control and supervisory bodies.

Today, when a new system of the global economic reproduction is being established, transnational corporations (TNC) start playing a major role on the global economic stage. The annual turnover of some of them may be compared to the annual budget of some small or even medium country.

These are TNC and TNB accelerating globalization and shaping global strategies. Distinctive features of transnational corporations are world markets behavior requirements, which are as follows:

- control over its operations on a global scale;
- flexibility in different business activities, coordination of its diversified activities using flexible information technologies;
- most efficient allocation of capital;
- total view of markets and competition, market competition awareness;
- Unification of all affiliates, subsidiaries and branches in a common management global network.

*National security in the context of globalization of financial flows:*

Such processes in the financial sphere and financial market development trends in the context of globalization lead to increased attention as to ensure financial security of a country.

A country shall ensure its effective functioning and maintain economic stability in a global environment. This can be achieved through economic security.

Economic security includes financial, investment, innovative, foreign trade, energy, social, demographic security. Undoubtedly, all the components are very important in today's economy. But in the current context of globalization of financial flows and free movement of capital, the impact of the global financial systems on a specific country moves to a new level. That is financial globalization which provides conditions for financial power and, by owing world's money and disposal costs and by managing cash flows, can influence both the world economy (including international security) and specific counties (national security).

A problem of appropriate support for national economic security affects all sectors of the national economy, business and the public at large, entire society and a country as a whole.

Therefore, in our opinion, the financial security of the country within the challenges of globalization should be considered at several levels: enterprises; industries; countries; world

economies. No country's financial security can be guarantee without financial security of separate businesses and industries. At the same time, besides that financial security of a country within world economy globalization relates to micro-level subjects, it is also closely linked to the situation in the foreign exchange and stock markets.

Many factors depend on the state of financial security. They include investments security, international financial market factors, supply and demand fluctuations, the state of the monetary and credit system of a country, balanced (unbalanced) national budget, budget deficit, national debt, tax breaks and so on. Stability of the financial security is determined by indicators such as inflation, domestic and external debts of a country, state budget execution process, level of monetization of the economy, cost of bank loans, sufficient international reserves of national markets. Let us demonstrate a financial security in the context of globalization through some indicators, taking Ukraine, a transition economy country, as an example (Table 1).

Table 1

Indicators of financial security of Ukraine [7-10]

Values	Threshold	2005	2008	2012
Inflation rate (%)	5	10,3	22,3	4,6
Foreign debt (в % к GDP)	Equal to or less than 60%	45,9	55,9	76,6
Monetization level, %	Equal to or less than 50%	37,7	55,2	52,1
Budget deficit (in % to GDP)	Equal to or less than 3%	-1,8	-1,5	-1,8 (-5,9 in 2010)
Cost of bank loans (average rate), %	10	14,6	16,0	14,3
Official reserve assets, excluding gold, billion U.S. dollars		19391	31543	31795

Having considered the above table, we shall note that most indicators have a significant difference from the threshold values, which means destabilization of the financial system, and country's dependence on external factors. Having analyzed the quantitative aspect of the indicators, let us reveal its qualitative aspect. Yes, inflation level results in price increase. The inflation rate is crucial for internal financial stability level in a specific country. That is why national central banks are trying to conduct its credit and monetary policy in a way which considers the inflation factor.

The criterion of "security" of a debt is country's repay ability and serviceability of a debt. For Ukraine, given the lack of external solvency and small international reserves, external public debt shall not exceed 60%. This suggests that the current external debt can affect Ukraine's financial security.

Since early 2008 the post-global financial crisis budget deficit of the country shows growth of the budget disbalance as it has exceeded 3%, and as of the end of 2010 it was 5.9%. This typical tendency for deficit increase indicates, first of all, on the budget revenues shortfall and increased costs. At the same time as of the end of 2012, this figure stood at 1.8%, which falls within allowable value; the situation has slightly improved.

Monetization level of any economy shows a country's economy cash resources, and is defined as the ratio of M3 money supply to the annual GDP. Since 2007 this figure exceeded the allowable threshold which affects national security upgrade.

Cost of bank loans is rated on a percentage basis; a borrower pays interest to a commercial bank for using a credit. High interest rates allow us to make conclusion that loans are not very attractive to borrowers. Official reserves are external assets controlled by the National Bank of Ukraine, and on demand can be used for direct financing of balance of payments deficit, indirect impact on the amount of this deficit through intervention in the foreign exchange market and for other purposes. Official reserves are compiled in accordance with the methodology of the IMF Regulations.

Central bank foreign reserves have a significant impact on external stability of the national currency and foreign possibilities of a country. Through 2005-2011 there has been a slight tendency for increase in official reserve assets. We shall also note that the largest proportion of reserve assets is foreign currency reserves.

## DISCUSSION AND CONCLUSION

Today the modern conditions of economic development of any country consider all hazards, risks and benefits of globalization. The process of globalization provides huge unlimited possibilities with all necessary conditions for economic development. Within inconsistencies of globalization financial sector gets a new look and now is characterized by huge rates of its growth, which significantly outrun capital dynamics in actual production.

In these circumstances of globalization of financial flows, Ukraine, as a transition economy country, has clearly outlined systemic issues related to provision of appropriate level of financial security; issues, accumulating over the previous years. Financial security reveals the state of the monetary and credit sphere, which should be characterized by balance, resistance to internal and external detrimental effects, ability of this sphere to ensure effective functioning of the national economic system and economic growth.

According to the financial security indicator analysis, most of the indicators exceed permissible thresholds; this has an impact on increase of national security level and its dependence on external factors. To refine financial security, more emphasis should be made on compliance strategy of financial security of Ukraine; to develop and implement an effective system of financial control; to create conditions to increase real income of the population; to introduce clear issue and settlement procedures on loans for economic entities of all forms of ownership. If the proposed measures will be used when solving these problems, it will enhance financial security of Ukraine and lead to Ukrainian economy growth and stabilization.

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# ECONOMIC JUSTICE AS A BASIS FOR SUSTAINABLE GROWTH

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**Abstract:** *Paradigm of sustainable economic growth highlights the qualitative components of welfare. They unavoidably incorporate the theme of economic justice. Achievement of economic justice through the methodology of capability approach is the basis for sustainable growth and the prerequisite for the establishment of a high efficient green economy.*

**Keywords:** *economic justice, sustainable growth, capability approach*

## INTRODUCTION

Focused on the quantification of the welfare, modern economics long time ignores issues of justice. Mathematical models abstract normative components of economic knowledge.

Validation of the paradigm for sustainable and green economic growth and development highlights the quality parameters of the standard of living such as education, health, ecological balance. They unavoidably incorporate the theme of economic justice.

Social and economic inequalities, unequal distribution of economic growth, exhaustion of resources, aggressive environmental pollution bring humanity of the face of justice. The achievement of sustainable development is an integral part of the establishment of social and economic justice. The purpose of this article is to justify the achievement of sustainable growth through the methodology and content of the contemporary notion of economic justice, based on capabilities.

## MATERIALS AND METHODS

The nature of justice is multifaceted and varied, has legal, social, distributive dimensions. It covers topics of human behavior to resource allocation. Welfare analysis in optics for sustainable growth put economic justice in connection with the distributive and the social justice. Within the perimeter of social justice fall the varieties of illegal and illegitimate inequality between individuals and groups. Economic justice is narrower category and expresses the optimal alternative uses of the limited resources. It reflects the state of perfect competition and Pareto optimality. Thus, justice internalizes economic sense and content expressed in efficiency, effectiveness, growth, stability, full employment, income distribution. The contemporary substance of justice combines economic efficiency and the distribution of results of economic activity. Distributive justice is associated with the dynamics and the distribution of national income, and the conflict between the maximization and distribution of consumption among the population. It includes the applied conflicts in terms of increased unemployment, inflation, financial difficulties and economic recession. Distributive justice is the intersection as the problems of unequal distribution of economic benefits and results, and institutional dimensions of economic environment [2; 12].

In summary, it can be concluded that economic justice represents an embodiment of a part of social and distributive justice. It embodies the efficiency of the market system, income distribution, and problems of full employment, unemployment and inflation, the institutional modality of the economy, the achievement of development, growth and prosperity. Within the scope of economic justice falls the state of the economic system and the opportunities it provides for enterprise and self-realization, political activity and the regulation of economic life, fiscal and monetary stability, the distribution of private and public benefits and costs, the result of public services and activities and the impact of this set of parameters on growth and welfare. Thus, in its economic sense justice embodies thoroughly problems of distribution, skillfully integrating behavioral issues, theory of property rights, contract theory, etc.

Historically, economic justice is interpreted in terms of the idea of mutually beneficial exchange [1; 10; 11], impartial social interactions [10; 11; 5], rights [6] and resources [7; 4].

The foundation of justice remains embedded legacy of the rule of law, impartiality, proportionality, reciprocity, equality. In the field of economic justice plays an important role the attitude of material and immaterial assets to human welfare.

Applying the methodology of capability approach, Nobel laureate Amartya Sen conceptualizes the contemporary idea of social and economic justice. Capability approach is the basis of the paradigm of human development. Capabilities identify themselves with the skills of the person to transform the available resources in preferred result. The approach focuses on the final goals and results as increased welfare and achieved development. These goals are identified as human capabilities for action. The capability is different of action. The difference is measured in terms of freedom, i.e. the choice and the actually used opportunity. Freedoms and actions have a wide set of dimensions, such as education, health status, employment, social activity of the individual. In this sense, poverty, illiteracy and social exclusion constitute a deprivation of capability. This creates opportunities for the deployment of multiple public and civic programs and initiatives to achieve social balance and justice. Economic justice is expressed in the expansion of human capabilities and freedoms. This idea incorporates many aspects of the meaning and content of economic justice.

The main methodological approach pledge focuses on freedom and the possibility to choose a most preferred and concrete alternative. The analysis is ambivalent; on the one hand, unity of the capabilities marks the real opportunities from which the man can benefit, on the other hand, can assess the effectiveness of real accomplished action. Capability approach is not oriented towards the study of human activity caused by the attitude of material goods to individual freedom. The approach focuses on the connotation of rights, freedoms and well-being, which is its methodological advantage. It is aimed at the integration of human well-being in physical, psychological and social aspect. The focus of interest covers economic, social, political and cultural dimensions of human life. Freedom is seen as a projection of both social structure and institutional organization, and individual preferences for personal and community self-realization. The hypothesis of human capabilities is linked to the assessment of the specific individual situation, focusing on the opportunities that are revealed to individuals. The first, this perspective includes the actions, i.e. activities that people can effectively accomplish and the level of well-being which they can really achieve; and secondly – a set of capabilities that can benefit.

A. Sen classifies capabilities into 3 groups: personal (physical condition, intelligence), social (norms, public policies, subordinating relations, discrimination) and environmental (climate, infrastructure) [9, pp. 311-314]. These transformational agents embody the responsibility of individuals, civil society organizations and public authorities. Interdisciplinary nature of the capability approach beyond the narrow confines of the maximization of personal welfare and encompasses the idea of conscious contribution to the community prosperity and justice. Economic justice through capabilities focuses on that people to be healthy, educated, to live in a clean environment, to be active citizens, and participate of full value in the socio-economic activity of the community. Capability approach is oriented mainly to the abolition of restrictions that impede the full and effective expression of personality. In this sense, it is aimed at the conscious and sustainable social and economic change.

## RESULTS

Establishment of economic justice through capability approach emphasizes mutual conditioning between institutional environment and individual freedom of action. Applied aspects of the approach are priority oriented to the content and the effectiveness of public policies and strategies, because "all social progress depends on further victories of justice" [8].

Focus is on increasing competitiveness, social services and the protective functions of the state. Thus, the importance of the economic justice' idea is comparable to the priority axis of the Strategy "Europe-2020", namely "...a smart, sustainable and inclusive economy delivering high levels of employment, productivity and social cohesion" [13]. Economic justice, based on the capability approach is the foundation of smart, green and sustainable growth.

## DISCUSSION AND CONCLUSION

Sustainable growth involves complex economic, social and institutional practices with an emphasis on environmental and ecological production and consumption of material goods and services. It is the cumulative result of free market relations, government measures and the activities of non-market and non-governmental institutions. At the center of sustainable growth is encoded the idea of a green economy and development of human capital.

The intersection of between economic justice and sustainable growth is responsible for the human capital. The Sen's hypothesis for distributive justice through human capabilities integrates the perspective of human capital and paradigm for responsible living. Human capital includes knowledge, skills and efforts of men to increase their productivity and expand economic prospects through the technological transformation. Accumulation of human capital presupposes the achievement of sustainable economic growth, which affects the range of opportunities, which can benefit individuals. But, a global goal is the expansion of human freedom to provide preferred socio-economic activities. Thus, economic growth is integrated into the general process of sustainable development, i.e. the expansion of human capabilities; and it becomes a part of the theoretical and practical discourse on economic justice. At the same time, economic justice through capabilities as a component of sustainable growth is associated with the green perspective of ecological production and lifestyles. Preservation of natural resources and the ecological balance is a part of the human capabilities to complete self-realization. Thus, justice through capability incorporates the requirement of responsible living. "Examples of values relevant for responsible living are justice and equity, a sense of solidarity with every human being as a trust of the whole, and respect for nature and the environment" [3, p. 67]. Green economy paradigm includes economic justice through human capabilities and sustainable growth. Unequal distribution of economic growth, social polarization, the depletion of natural resources, environmental pollution, climate changes highlight the need of economic sustainability, reasonableness and justice. Sustainable economic growth implies the imperative of intelligent and green production. Reasonableness is linked to a responsible living. Justice based on the capability approach' methodology integrates diverse aspects of men, including the importance of ecology. Thus, it combines both the idea of sustainability and rationality of the economy.

Contemporary economic development relies on justice and sustainable growth. Economic justice through the expansion of human capabilities is the basis for sustainable growth and the prerequisite for the establishment of a high efficient green economy.

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# THE PROBLEMS OF COMPETITIVENES ENSURING OF FORESTRY ENTERPRISES IN TRANSCARPATHIAN REGION OF UKRAINE

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**Abstract:** *The article considers the essence of the notion of enterprise competitiveness, its value under the conditions of Ukrainian economy reformation and the realization of its euro integral vector. The modern state of forest industry development of Transcarpathian region has been analyzed as well. Special attention is paid to the issues of timber logging and its realization. The basic problems of Transcarpathian forest branch have been determined.*

**Keywords:** *competitiveness, enterprise, enterprise activity, forestry, euro integration*

## INTRODUCTION

Economic reforms Ukraine is facing now have put forward one of the basic tasks, i.e. reorganization of the whole economic system, as well as the formation of the fair competition, favoring the development of enterprise activity. Nowadays in the process of new economy formation both the country and its market participants are solving the problem of quick achievement and continuous preserving the competitive preferences by means of ensuring the necessary level of competitiveness. The topicality of the investigation of enterprise competitiveness problems in Ukraine is increasing due to its euro integral choice. Possessing competitive economy, with competitive business in its basis, Ukraine as the subject of international economic relations, may occupy its appropriate place in the economics of European Union. Having strengthened the relations with European Union, Ukraine and its enterprises, by no means, will find themselves under the conditions of severe competition demanding the formation of effective strategies counteracting it, the elaboration of modern mechanisms of ensuring and increasing their competitiveness aiming at achievement, maintenance and securing the strong competitive positions in perspective.

Competitiveness of enterprises is both important, complicated and an interesting subject for the research. Depending upon the objectives of the investigation the number of methodologies for their estimation has been elaborated. Competitiveness of enterprises has been defined as "...the integral final index of the sustainable work of the enterprise, absorbing the results of the actions and the efforts of different industrial, and managing branches, subsystems and enlisted resources, as well as national, economic and regional advantages" [6]. Competitiveness of enterprises causes great interest both among native and foreign scientists. Its multifaceted analysis has been carried out in the works of E. Vogel, E. Warner, P. Krugman, M. Porter, V. Andrianov, R. Fatkhutdinov, P. Sabluk, M. Skrypnyk etc.

## MATERIALS AND METHODS

Official statistics, the reports of Transcarpathian state forestry enterprises, periodicals, highlighting the basic aspects of the functioning and competitiveness of enterprises in forest branch have been used in the process of our analysis as the material basis of the research. To reach the aim the following methods have been used: the general scientific method, the method of comparison and logical generalization.

## RESULTS

Transcarpathian region, located in the southwestern Ukraine, in the western part of the Ukrainian Carpathians and Transcarpathian lowland is one of the areas of the Carpathian region. The region has a favorable geo-economics location; it is the geographical center of Europe and borders with four EU countries: Hungary, Slovakia, Romania and Poland. Transcarpathian region is the one, which has a significant potential for the development of

forestry along with the light and food industries, the development of cross-border cooperation, tourism and recreation industries. Traditionally, forestry industry is treated as the kind of economic activity, ensuring the reproduction of forest resources, their protection and conservation, the harvesting of round timber and other forest products [1].

The value of forests for any area cannot be overemphasized, as they serve protective, sanitary, recreational, aesthetic, ecological, and economic functions, meeting the needs of the region in forest resources of different nature. Therefore, the control over their use and protection of forests is one of the priorities of the government bodies. Concerning the forestry area, Transcarpathian is in the top five among the regions of Ukraine. The index of forestry fund per capita in Transcarpathian is equivalent to 0.53 ha (the same index in Ukraine is 0.17 ha) [5]. Therefore, the combination of geographical factors, the one of forestry resource potential and the priority of its development in Transcarpathian cause profound interest in the problems of competitiveness of forestry companies in the region. The basic characteristics of the territory and the woodiness of Transcarpathian are presented in Table 1.

Table 1

The territory and forests of the Transcarpathian region (dates back to 01.01.2011) [8]

Region	Total territory, thousand ha	Land territory included, thousand ha	Forest areas covered by wood plants, thousand ha	Woodiness, %	
				general territory	land territory
<b>Ukraine</b>	<b>60354,8</b>	<b>57929,1</b>	<b>9573,9</b>	<b>15,9</b>	<b>16,5</b>
Transcarpathian region	1275,3	1257,1	656,7	51,4	52,2

Nowadays, the Transcarpathian forestry industry includes state forestry enterprises (10), forestry and hunting enterprises (4) and forestry-research enterprises (2). They vary in size, structure and number of employees, but they have one goal to provide the industry with quality raw materials under the conditions of forest fund preservation. Companies have been reorganized and staff has been decreased that illustrates a negative tendency. Such a situation is more likely to be associated with the overall economic situation in the country and the global economic crisis.

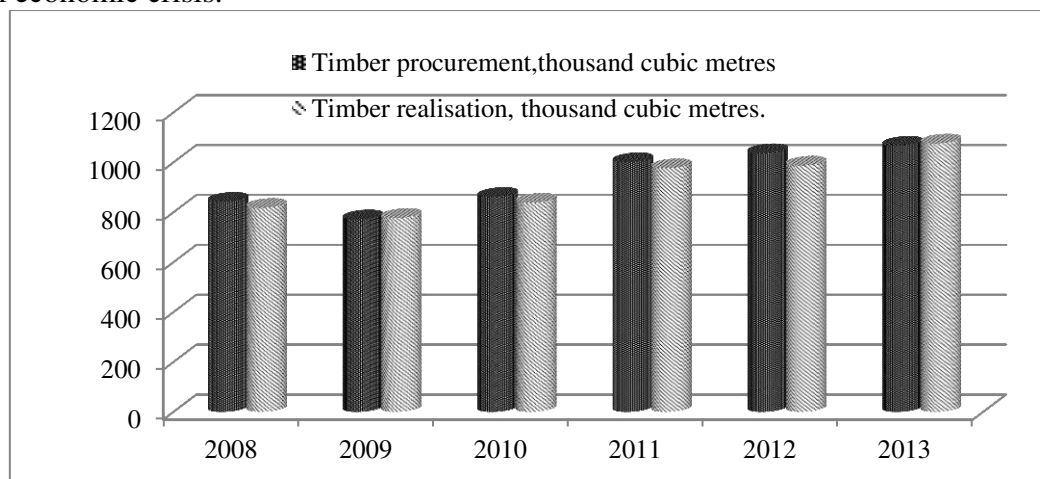


Figure 1: Dynamics of harvesting and timber realization by forestry enterprises in Transcarpathian (compiled on the basis of the results of the enterprises of the Transcarpathian Regional Forestry and Hunting Administration Reports)

Average wages are relatively low; it ranges from 1343.2 UAH per month (about 255 USD) in 2008 to 3202.81 UAH (about 401 USD) in 2013. For comparison: the average monthly wage in Ukraine these years was 1806.40 UAH (343 USD) in 2008 and 3265.00 UAH (about 409 USD) in 2013 that doesn't make any valid incentive to work in forestry industry in Transcarpathian region [7].

Timber harvesting is realized through logging, mainly of general use, as well as by making arrangements directed at taking care and rehabilitation of the forest. Logging and wood processing are carried out using appropriate technology, the number and composition of which vary depending on the location of the forestry enterprise. In 2013 survey conducted among the directors of forest industries, 56% of them noted the high degree of depreciation of capital goods and 44% assessed its level as average, which reduces the level of competitiveness of forestry companies in the region. Correlation between the volume of wood harvesting and timber realization by enterprises in Transcarpathian region within the years of 2008 and 2013 is shown in Figure 1. Above-mentioned Figure shows a small tear between the volume of harvesting and realization. This indicates that almost all the wood harvested finds its market. Sales of wood are carried out both in the Ukrainian and foreign markets. The percentage of domestic sales exceeds significantly for a long time that is shown in Table 2.

Table 2

Volume of timber sales in domestic and foreign markets, %						
	2008	2009	2010	2011	2012	2013
Domestic market	97.65	95.70	88.19	92,22	91,62	88,54
Foreign market	2.35	4.30	11.81	7,78	8,38	11,46

*Source: Compiled on the basis of the results of the enterprises of the Transcarpathian Regional Forestry and Hunting Administration Reports*

The Table 2 shows that only within the limits of one year (2013) the volume of timber exports by Transcarpathian enterprises increased on 3.08%, while within the limits of 5 years on 9.11%. Since the export includes wood supply of the internal market, the expansion of the Transcarpathian forestry enterprises in foreign markets (Austria, Italy), including the border countries (Slovakia, Hungary, Poland) is positive both for the companies and for the regional economy. A high-quality material with appropriate certificates of origin, which is procured and implemented in a transparent manner, is one of the components to ensure the competitiveness of forestry enterprises in Transcarpathian region. The initiative of electronic forest certification, which concept is started at the state level and implemented as an experiment in some regions of Ukraine was supported. To overcome the problem of illegal logging and "black" sales of wood which makes impossible to conduct forest management effectively by the Resolution of the Cabinet of Ministers of Ukraine (September, 16, 2009, No. 1090-R) and the Concept of the creation a unified state system of electronic registration of wood was approved. Its adoption was intended to introduce European standards of rational usage and forest conservation in the development of Ukrainian timber industry. The main purpose of the conception is to create a unified state system of electronic wood registration on the basis of automated information system. To register timber origin, the concept introduces the wood labeling by standardized markers, drawing a bar code, which is identical to its digital code, which should increase the transparency of transactions in the forestry sector. Ambiguous is the fact, that funding for the electronic transfer of forestry is mainly assigned on the same companies and only a small portion of the funds is provided from the state budget [4].

In order to ensure the transparency in timber market since 2011 under the orders of the President of Ukraine and the Government, the State Agency of forestry resources released from the method of realizing uncultivated timber by means of direct transactions. It was necessary to create an improved scheme of its realization, which would give an opportunity to trace the movement of each cube in time. Within one year (2011), 78% of total wood amount was realized in general auctions and 91.1% on special auctions [3]. Ukraine has the growth in sales of wood through the introduction of auctions and the rejection of direct contracts, which is equivalent to 36% [2].

Despite the improvements in the timber branch of Transcarpathian, there are a lot of problems in the process of ensuring the competitiveness of forestry enterprises. I.e. the depletion of forest fund of Transcarpathian region as a result of intensive forestry consuming

in the past; the absence of stimulating implementation of environmentally clear technologies; inadequacy of infrastructure provision (forest roads, low level of technical equipment at the enterprises and so on); lack of support of timber industry from government and administrative structures. In our opinion, companies that are going to the foreign markets should have favorable taxation. It is necessary to expand the advisory and state informational services on the foreign markets and promote the search of foreign partners.

## DISCUSSION AND CONCLUSIONS

The problem of economic competitiveness of Ukraine towards the EU presupposes the conducting of economic and political reforms, introducing a competitive environment for business development, creating a favorable investment climate, improving workforce skills, formation of an appropriate legal framework for the implementation of these processes. Special attention of the enterprises should be given to their ability to respond quickly to competitive challenges of contemporary quick economic environment. Some steps in this direction have been already made, but this is not enough to consider them completed in the Ukrainian forestry branch.

Nowadays in Ukraine special attention is paid to the conducting of forestry management and its preservation. Less attention is given to forestry enterprises development as entrepreneurial structures. That is why forestry measures are determined first of all by ecological priorities and not by the economic appropriateness. We hope special measures will be implemented to increase their efficiency and competitiveness forestry industry.

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# INFLUENCE OF TAX POLICY ON THE SOCIAL SECURITY OF THE COUNTRY

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**Abstract:** *The essence of fiscal policy is considered in this article; the concept of social security is defined; the influence of tax authorities' activities on social security is analyzed.*

**Keywords:** *social security, taxes, tax policy, tax authorities, social factor*

## INTRODUCTION

Solving problems of taxation is due to the formation of a fiscal system that provides budget income as well as with the development of social responsibility and economic thinking in different segments of population. Mentioned elements influence to the construction of a rational tax policy. Unfortunately, the social factor in this process hasn't been subjected to the proper research yet. Providing a social security is one of the most important national problems in each developed country. In this case, tax authorities are the necessary element of the control system. The activities of these social institutions in the current period of drastic social and economic changes occurring in our country require detailed consideration.

## MATERIALS AND METHODS

In our research were used traditional methods, such as analysis and synthesis, retrospective analysis, method of generalization, method of systematization and comparing method.

## RESEARCH

To reveal the essence of the "social security" concept, it is necessary to consider several statements of reputable scientists who described this phenomenon and gave certain definitions. First of all let us consider the opinion of American Scientists. For example, S. Doyle noted that the government is in a state of social security, if it has the possibility to implement measures for the development of social, educational and economic development without any external influence as well as provide its citizens with housing, food, work, protect their civil rights and personal freedom. In opinion of D. Fisher, a social security is an opportunity for the state to pursue the national development and progress as well as satisfying basic needs of population and human rights. Unlike opinions of American scientists, Russian researcher R. Yanovsky assumes that social security is a broader concept. In his mind, it is a reliable protection of vital goals, ideals, values and interests of social entities of macro and micro levels, saving and development of human potential, maintenance of effective stimulation of human activity, systems of their socialization and vital supporting, enduring values and morals.

Mostly governmental functions are socially important. Therefore taxes are needed to implement them. It is known that state expenditures are basically formed by tax revenues. These funds determine governmental capability of the social insurance, health care, education, crime fighting and defense. It is quite obviously that all mentioned factors directly affect the social security state of the society and the government. Developing financial policy, first of all, the government focuses on the tax policy, i.e. government develops tax strategy. In turn, the tax strategy is determined by construction of the tax system and the organization of tax authorities. Principles of taxation are also directly related to social issues. Tax authorities in entities of tax inspections and tax police are social institutions that perform two basic functions: providing tax collecting and the fight against of tax crime. The results of this work are: 1) filling of the budget; 2) reduction of tax crimes; 3) reducing the financial base for crime in general and organized crime in particular. The implementation of these functions has a significant impact on the social security state. Providing through the budget financing of social programs and law enforcement and reducing the crime level, tax authorities directly contribute to reduce social tension and satisfaction of social needs. Significant threat to social security in the tax area is the criminalization of the economy, the merger of shadowed

structures and mafias with corrupted state officials, the state bureaucracy. The system of tax authorities in general is represented by social institutions. Social institution is characterized by the goal, concrete functions and the set of social roles typical of this Institute as well as a system of sanctions to ensure the desired behavior and the suppression of deviant behavior. These factors provide the population an opportunity to satisfy their needs, regulate behavior, stabilize social relations, achieve consistency in the actions of the members of society and raise the level of social cohesion.

## RESULTS

Economic security has to ensure the economic development in specific real conditions of national development. It must be created by means of internal and external efforts of state authorities. Therefore, social security is a priority among other types of security. The research of social threats, their causes and creation of the necessary indicators is an important scientific area, which corresponds to the current governmental needs and needs of society to develop the effective strategy and tactics for their prevention and elimination.

December 24, 2012 in accordance with the Decree of the President of Ukraine, State Revenue Service and State Customs Service were reorganized into the Ministry of Revenue and Duties of Ukraine. Unfortunately, the positive effect from the merger of these departments has not been received. Ministry turned into the service. Neither Tax nor Customs Codex worked. In March, 2014, Government resumed the activities of the State Revenue Service and State Customs Service. Ministry of Revenue and Duties of Ukraine was eliminated. Statement of Cabinet of Ministers №67 on March 1, 2014 was published on March 7, 2014. State Revenue Service and State Customs Service are central executive authorities. Their activities are coordinated by the Cabinet of Ministers through the Minister of Finance. Also it is accepted solution on the need to urgent development of changes to the Tax Code of Ukraine. These changes should help to overcome the crisis, which is now in Ukraine. Social security of the country in the current crisis conditions is the basis for the functioning of all other elements included in this system, i.e. military, economic, technical, productive and environmental components.

## DISCUSSION AND CONCLUSIONS

Thus, the activities of tax authorities are an important factor of the state social security and society in general. Tax authorities interact with the social environment. The basis of social institutions interaction with the social environment is to satisfy the specific needs of the population, i.e. provision of social guarantees and the law regulations.

Last events in Ukraine confirm that the provision of social security is necessary to stabilize the economic and political situation in the country. It is necessary to develop a strategy to improve the tax policy and the adoption of amendments to the Tax Code of Ukraine. Also it is necessary to develop new approaches to the functioning of the tax authorities, which will identify the real tax base. This will significantly increase the budget and social costs. In turn, it will remove the social tension and ensure the implementation of social security.

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## **COMPETITIVENESS INCREASE LIVESTOCK BRANCH: A NECESSARY CONDITION OF ACCESSION TO WTO**

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**Abstract:** *This sphere and need of the way of the output of their decision. The Natural food without any uncleanliness and GMO (modify the organism of the gene) become "luxury" on table of the consumer. For the matter of that possible must believe that stock-breeding enlarges in Republic Kazakhstan, one of the bases, which guarantees food safety, and also potential possibility of the increase in export.*

**Keywords:** *land, ground, food, stock-breeding, safety, erosion of ground, surrounding ambience*

### **INTRODUCTION**

Around the world the problem of food security is very actually. Deficiency of irrigated lands, erosion of soils, environmental problems give rise to risk of decrease in production of products of agriculture. Natural food without any impurity and GMO (gene-modified organism) become "luxury" on a table of the consumer. In this case it is possible to believe that the animal husbandry branch in the Republic Kazakhstan is one of the main who ensures food safety, and also potential possibility of increase in export. Unlike the developed countries, our state has many prospects and opportunities for the agricultural development. Historically, Kazakhstan is the agrarian country. And today, according to the statement of the President of the Republic Kazakhstan N. Nazarbayev, development of agriculture is primordial occupation for which in the country there are very favorable conditions, and it can become very favorable because, the ton of marble meat is five times more expensive than wheat tons.

The animal husbandry is the important branch of agriculture giving more than a half of gross product. Meat, milk, eggs represent the main food of the population and are the main sources of supply of irreplaceable protein. Without them it is impossible to provide high level of food. The animal husbandry gives valuable types of raw materials for the industry: wool, skin, astrakhans. Development of livestock branches allows using productively labor and materials. In branches of animal husbandry waste is consumed, valuable organic fertilizers, i.e. manure and dung water is created. As a whole the branch of animal husbandry makes about 43% of the total amount of agricultural production [3]. It is least of all subject to influence of climatic changes and world environment unlike plant growing branch. However, the livestock production in Kazakhstan in market conditions is accompanied by a set of specific problems though existence of the richest pastoral grounds and favorable climatic conditions.

As a whole the stable positive growth of an index of physical output since 1999 on the average for 3.3% is observed in Kazakhstan [3]. In twenty years of Kazakh independence, since 1997 GDP grew from 17 to 28 trillion Tenges in 2011, i.e. GDP for this period grew over 17 times. GDP per capita grew from 1500 U.S. dollars in 1998 to 12500 U.S. dollars in 2013 [1].

About importance of development and support of national economy' branches it is spoken in the Message of the President to the people of Kazakhstan (January, 17, 2014, "The Kazakhstan way 2050: Purposes, interests and future") where the main objective was sounded as providing the innovative rails of agro-industrial complex.

Obviously, the global need for the food will increase; more investments will go to agricultural sector. Therefore farmers have to care about increasing production. The competition will increase in global agro-production. It is necessary to work, first of all, to introduce new technologies and increase productivity, to improve national standards [1]. For the livestock production Kazakhstan has competitive advantages, such as favorable climatic conditions; free cultivated areas under forage crops; natural fodder grounds; opportunity to make environmentally clear livestock production. The important problem of animal husbandry development is the improvement of quality. It is promoted by scientific methods of norms' selection for feeding animals and creating their ration; improvement of the farm hardware; full mechanization of technological processes. The general tasks in animal husbandry branch are providing growth of efficiency in cattle livestock and increasing outputs of high-quality production with low costs. In Table 1 the main indicators of agricultural production in Kazakhstan are reflected.

Analyzing Table 1, it is possible to see that: outputs of agricultural production for the studied period grew by 134.4% regarding to 2006. Thus, 127% is made in plant growing the gain and 140.7% are made in animal husbandry. Growth of economically active population by 11.8% in 2012 in comparison with 2006 is caused by a natural increase of the population, and it isn't so considerable. Monetary income of the population also tends growth, so their gain, in comparison with 2006 made 169.4%. Thus, the labor productivity gain in agriculture 133.8%, i.e. 35.6% lower than growth level of the population income. It means that the divergence between growth rates of the income of the population and their productivity is not the best, i.e. growth of the income isn't justified and doesn't conduct to economy.

The GDP for the studied period was 191.7% and GDP per capita was 170.6%. If to compare growth rates of GDP in whole and per capita we can see the lag. The volume of investment in fixed capital tends grows. In 2006, 2824,5 billion Tenge came to the national economy and in 2011, 5010 billion Tenge, that is 77% more, than in 2006, and in 2012 inflow of investments to fixed capital made 5473,2 billion Tenge that is 93.8% more, than in 2006. In animal husbandry the stable positive growth of an index of physical volume since 1999 on the average 3.3% yearly is observed. This indicator is characterized by increase in quantity of beasts, bird and made production in the form of meat, milk and eggs.

Proceeding from the specified data, RA RFCA (Rating agency of Regional financial center of Alma-Ata) assumes the further growth of indicators. By state support and increase in consumption of RA RFCA, it considers the potential growth on the level "high" (Table 2).

Table 2 shows the low specific weight of agro-production in country. GDP is lower than 10%. Considering the share of agriculture in 1990 that occupied 34% in GDP, today's indicators testify that Kazakhstan began to renew own agro-industrial direction by realization of a set of state programs.

The share of agricultural branch since 2006 showed decreasing dynamics from 8% to 6.6% in 2010 that is explained by high growth rates of GDP. If to consider dynamics of specific weight of animal husbandry branch in GDP, "spasmodic" tendency of development is observed. The animal husbandry reached the greatest specific weight in 2012 (50.6%) and the smallest specific weight in 2011 (41.2%). In fact, the livestock branch of Kazakhstan in the last decades underwent the essential changes explained by structural shifts in rural economics; thus, about 80% of animal husbandry production is made in private farms.



Table 1

## The main socio-economic indexes in Kazakhstan for 2006-2012

Indicators	2006	2007	2008	2009	2010	2011	2012
Agricultural Production (bill. Tenge)	853,3	1121,8	1384,2	1640,2	1442,6	2286,1	1999,1
Growth in % regarding to 2006	100	131,4	162,2	192,2	169,0	267,9	234,3
Incl. plant growing (bill. Tenge)	432,5	630,8	761,1	936,9	662,6	1337,2	981,2
Growth in % regarding to 2006	100	145,8	176,1	216,7	153,2	309,5	227,0
Animal husbandry (bill. Tenge)	420,8	491,0	623,1	703,3	774,1	942,4	1011,2
Growth in % regarding to 2006	100	116,9	148,3	167,4	184,3	224,3	240,7
Economically active population (thousand people)	8028,9	8228,3	8415,0	8457,9	8610,7	8774,6	8981,9
Growth in % regarding to 2006	100	102,5	104,8	105,3	107,2	109,3	111,8
Wh. taken in agriculture, persons	615629	648482	556541	556260	617781	616987	617234
Growth in % regarding to 2006	100	105,3	90,3	90,4	100,3	100,2	100,3
Average monthly income of population (Tenge)	19152	25226	32984	34282	38779	45936	51594
Growth in % regarding to 2006	100	131,7	172,2	178,9	202,5	239,8	269,4
Output of products per worker in agriculture (thousand Tenges)	1386,1	1729,9	2487,2	2948,6	2335,1	3711,2	3240,1
Growth in % regarding to 2006	100	124,7	179	212,6	168,5	267,7	233,8
Investments into fixed capital (bill. Tenge)	2824,5	3392,1	4210,9	4585,3	4653,5	5010,2	5473,2
Growth in % regarding to 2006	100	120,1	149	162,4	164,8	177,4	193,8
Total GDP (bill. Tenge)	10213,7	12849,8	16052,9	17007,6	21815,5	27571,9	30347,0
Growth in % regarding to 2006	100	125,8	157,2	166,5	213,6	269,9	297,1
GDP per capita (thousand Tenge)	667,2	829,9	1024,2	1056,8	1336,5	1665,1	1807
Growth in % regarding to 2006	100	124,4	153,5	158,3	200,3	249,6	270,9

Table 2

## Share of agricultural branch in GDP of Kazakhstan

Indicators	2006	2007	2008	2009	2010	2011	2012
Total GDP (bill. Tenge)	10213,7	12849,8	16052,9	17007,6	21815,5	27 571,9	30347,0
Agriculture production (bill Tenge)	853,3	1121,8	1384,2	1640,2	1442,6	2286,1	1999,1
Specific weight of production in GDP, %	8,3	8,4	8,7	9,6	6,6	8,3	6,6
Animal husbandry	407545,2	476276,0	628601,0	703174,5	774105,8	942384,3	1011191,9
Specific weight of agricultural branch, %	49,4	43,7	44,7	42,8	53,6	41,2	50,6

The main reason for reduction of cattle livestock and recession of livestock production at all is explained by supply and demand fluctuation towards falls and privatizations of agriculture during independence time in Kazakhstan. As a result the cattle livestock was distributed among a large number of small land-owners and family farms.

According to RA RFCA, about 80% of all agricultural animal livestock are concentrated in private farms – it is the main limiting factor [3]. Also there is a specific weight of a breeding livestock; it makes only 5-8% taking into account level of current technologies. In branch the outdated production technology and production processing's show the low level of mechanization and automation. Such situation complicates the solution of problems to increase the genetic potential of cattle, toughening of veterinary and sanitary control, fastening of food supply of animal husbandry. The most considerable limiting factors are diets of compound feed notes weak food supply, a shortcoming and, as a result, there is a low efficiency of cattle and bird. Now the share of the meat made in Kazakhstan of rather world production, makes: beef – 0.6%; mutton – 0.9%; pork – 0.2%.

In this work the analysis of production of meat in neighboring countries as Russia, Ukraine and China is made (Table 3).

Table 3

Production of meat of animals and bird on slaughter, one million ton

Country	2004	2005	2006	2007	2008	2009	2010	2011	2012
Russia	4,4	5,0	5,3	5,8	6,3	6,7	7,2	7,5	77,8
In % to 2004	100	113,6	121	131,2	143,2	152,3	163,6	171	176,8
Ukraine	1,7	1,6	1,7	1,9	1,9	1,9	2,1	2,0	2,2
In % to 2004	100	95	100	112	112	112	124	117,6	130
Kazakhstan	0,6	0,8	0,8	0,8	0,9	0,9	0,9	1,2	1,3
In % to 2004	100	133,3	133,3	133,3	150	150	150	200	216,7
China	62,1	71,2	72,7	70,5	74,6	78,1	80,7	82	82,7
In % to 2004	100	114,6	117,0	113,5	120	125,8	130	132	133,4
Worldwide	233	260	266	272	278	284	291	294	297
In % to 2004	100	112	115	117	120	121,8	125	127	128

Table 3 shows that in mentioned countries the tendency of growth of animals and bird slaughter is observed. Thus, in Kazakhstan meat of animals was sent for slaughter and the bird is almost twice more in 2012 in comparison with 2004.in comparison: in Russia growth rate of this indicator in 2012 in comparison with 2004 grew by 76.8%. In China this indicator grew by 33.4%. As a whole, the world situation is the same as in the listed countries.

From analysis of animal husbandry production in the East Kazakhstan region, according to Table 4, it is visible that in 2012 in comparison with 2005 animal husbandry production grew by 42.8% or by 39.6 thousand tons. Production in the agricultural enterprises also grew in this period by 114.3%. Farms outputs grew by 154.5%. In private farms the same tendency is observed, i.e. production of animal husbandry grew by 10.7%. However, it should be noted that essential changes in structure of livestock production were made. It is a positive factor as the large enterprises and farms increase scales that eventually leads to the solution of many problems connected with private farms, such as hiding income; weak breeding work; high cost of production; bad veterinary supervision and other problems.

Cattle breed is everywhere where the agriculture is. Total number in the world makes about 1 billion heads, including 304 million in India, 191 million in Brazil, 105 million in China and 93 million heads in USA, 10 million in New Zealand, 6.7 million heads in Ireland and 50 million heads in Argentina.

As a rule, the breeds of the meat direction containing in larger herds and demanding less than leaving than dairy cattle, dominate in regions where the extensive spaces are occupied by pastures, working hands and soil climatic conditions don't favor to farming of intensive type.

The USA is the main in the world producer of beef and at the same time the main consumer: here about a quarter of world production is used. India makes not enough beef because of religious ban and cultural traditions.

Cattle number during 2004-2009 decreased in the world, and it became 1.0% less to 1.01 billion heads. But on different continents, as well as in various countries, a livestock of cattle changed differently. Greatest growth was in developing countries. These changes are caused generally by economy of these countries (Table 5).

Table 4

## Animal husbandry production in lethal weight in East Kazakhstan (in thousand tons)

2005	2006	2007	2008	2009	2010	2011	2012
All categories of farms							
91,3	99,9	106,9	110,6	112,5	118,9	122,8	130,9
Growth rate of an indicator in comparison with 2005, %							
100	109,4	117,0	121,1	122,7	129,7	134,0	142,8
Agricultural enterprises							
14,4	16,5	19,0	19,0	20,4	23,0	22,6	30,0
Growth rate of an indicator in comparison with 2005, %							
100	114,6	135,7	135,7	142,8	164,3	157,1	214,3
Specific weight of production of the agricultural enterprises among all farms, %							
15,8	15,4	17,8	17,2	18,0	19,0	18,0	23,0
Country (farmer) farms							
11,7	14,2	17,2	19,3	23,1	24,7	27,6	28,7
Growth rate of an indicator in comparison with 2005, %							
100	127,3	154,5	172,7	209,1	218,2	245,4	254,5
Specific weight of production of country farms among all farms, %							
13,0	14,0	16,0	17,0	20,5	20,8	22,5	21,9
Population farms							
65,2	69,2	70,7	72,3	69,0	71,2	72,6	72,2
Growth rate of an indicator in comparison with 2005, %							
100	106,2	107,7	110,8	106,2	109,2	110,8	110,7
Specific weight of production of country farms among all farms, %							
71,4	69,3	66,1	65,4	61,3	59,9	59,1	55,2

Table 5

## Quantity of a livestock in CIS countries and China, growth rate (in million heads)

Country	2004	2005	2006	2007	2008	2009	2010	2011	2012
Russia	27,5	21,6	21,6	21,5	21,0	20,7	20,0	21	21,2
In % to previous year	100	78,5	78,6	78,5	78	74	74	78	78
Ukraine	9,4	6,5	6,2	5,5	5,1	4,8	4,5	4,6	4,8
In % to previous year	100	69,1	65,9	58,5	54,3	51	47,8	48,9	51
Kazakhstan	5,7	5,8	5,9	6,1	6,2	5,7	5,7	5,6	5,8
In % to previous year	100	101	103,5	107	108,8	100	100	98,2	101
China	127	112	110	105	106	106	107	107	108
In % to previous year	100	88,2	86,6	82,7	83,5	83,5	84,5	84,5	85

According to the Table 5, it is visible that leading positions from among the presented countries are taken by China. Second seat has Russia (more than 20 million heads), further Kazakhstan (more than 5 million) and on the last place Ukraine is (more than 4 million heads). In all presented countries the tendency of decreasing in a livestock is observed, it is caused also by that new strategy of development which means, first of all, reduction of a livestock of dairy cows that is connected with increasing in their dairy efficiency. Now 82% of livestock's are in private farms that complicates the formation of large consignments of meat. Due to the creation of the meat centers' formation in private subsidiary farms, decrease in productive of herd, such as a low meat exit in lethal weight and low qualitative characteristics of meat is observed. Besides, the specific weight of a breeding livestock in Kazakhstan much below that level of the advanced countries. Thus, the number of a breeding livestock makes 77 thousand heads or 1.25% of cattle total. It isn't enough for improvement of meat efficiency of cattle. By expert estimates of the Ministry of Agriculture, the meat livestock makes only 543 thousand heads or about 9% of the general livestock, so, is very low indicator [2].

Other livestock makes cattle of dairy breeds. According to the data in the majority of the leading countries of the world, this indicator is average 50-60% in USA, where 80% of a livestock are the share of a share of cattle of the meat direction [3].

This fact also is an obstacle in a way of development of animal husbandry branch and occupation of worthy export positions (Chart 1).

Chart 1 shows that the smallest number of cow is in the Mangystau's area, the greatest number of cow is in East Kazakhstan and Almaty, and also in Southern Kazakhstan areas. Concentration of such large number of cow in the East Kazakhstan region confirms the capacity of livestock branch in this region.

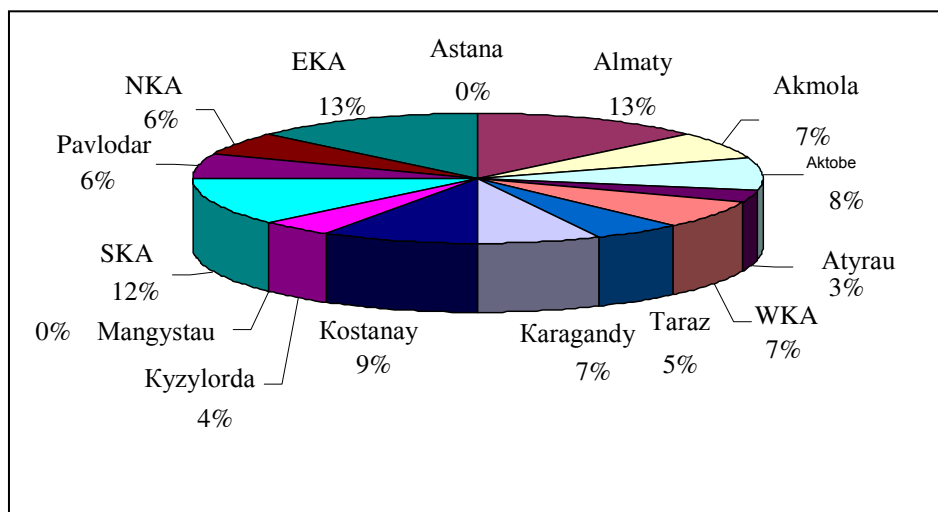


Chart 1: Numbers of cow in regions of Kazakhstan in 2012;

Source: Created by authors on the basis of data of Agency of the Republic Kazakhstan; statistical collection "Rural, Forest and Fishery in the Republic of Kazakhstan, Astana 2013"

In Kazakhstan pig-breeding has long a tradition. In the Soviet years the livestock of pigs in the country exceeded 3-3.5 million heads; especially many pigs grew up in the 1950-1960s during a time of mass migrations of the population and virgin soil development. Then million people arrived to Kazakhstan who needed to be fed; it should be noted, these people came from regions where pork was an important element of ethnic cuisine – from Ukraine and Russia. Then large livestock complexes, on thousands heads of pigs – in Northern, East Kazakhstan, near the large cities were put [3].

Pig-breeding still is most dynamically developing branch what is shown in a positive dynamic when comparing indicators of the current and last years. Pig-breeding reached considerable development in connection with growth of the cities and increased demand for meat and other livestock products. However, this growth was corrected by the changed market since 2006. The number of pigs in the world for 2009 is 785 million heads, but yearly the indicator grew on 0.5% (Table 6).

Table 6

Quantity of a livestock of pigs in CIS countries and growth rate (in million heads)

Country	2004	2005	2006	2007	2008	2009	2010	2011	2012
Russia	15,8	13,8	16,2	16,3	16,2	17,2	17,2	18	18,1
In % to previous year	100	87,4	102,5	103,2	102,5	108,9	108,9	113,9	114,5
Ukraine	7,7	7,1	8,1	7,0	6,5	7,6	8,0	8,2	8,2
In % to previous year	100	92,2	105,2	90,9	84,4	98,7	103,9	106,5	106,5
Kazakhstan	1,39	1,35	1,34	1,32	1,34	1,2	1,03	1,30	1,35
In % to previous year	100	97,1	96,4	84,9	96,4	86,3	74,1	93,5	97,1
China	439	428	441	426	447	469	476	477	478
In % to previous year	100	97,5	100,4	97	101,8	106,8	108,4	108,6	108,9

According to the Table 6, it is visible that the leader on the number of the heads of pigs in farms of all categories is China (462 million heads of pigs or 58% of the world market). Second place Russia occupies (more than 15 million heads). Further is Ukraine (more than 6 million heads) and Kazakhstan (more than 1 million heads). Dynamics of a pig's livestock in Russia tends steady growth; in 2012 in comparison with 2004 the livestock grew by 14.6%. In Ukraine we can see the same situation: the livestock gain 6.5% in 2012 in comparison with 2004. In Kazakhstan a picture a bit different: the livestock of pigs decreases

from 1.39 million heads to 1.35 million heads or for 3.9%. The above-mentioned facts are shown visually on Chart 2.

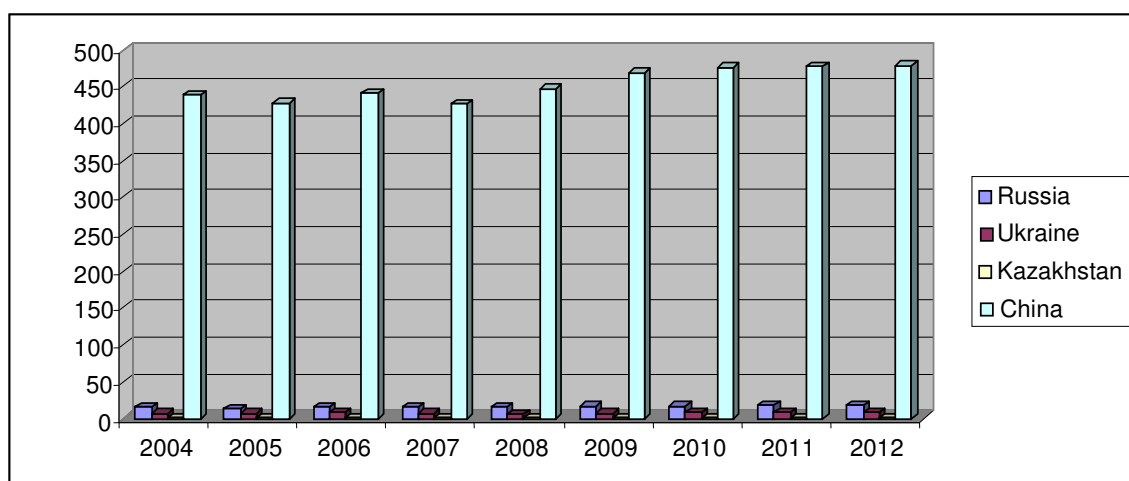


Chart 2: Dynamics of number of a livestock of pigs in CIS countries and China;

Source: created by authors according to the Food and Agricultural United Nations, a statistical year-book, 2012

The greatest concentration of a livestock of pigs is registered in the Kostanay region about 23%. At the moment the most large-scale enterprises on cultivation of pigs are in Almaty; also large pig factory farms are available in Kostanay and Karaganda areas. As a whole on branch reduction of the livestock of pigs by 2% to 1326 heads of pigs where the low growth of a livestock in 8 thousand heads is the main reason that is connected with a crop failure of grain and forage crops. The majority of high-productive modern breeds of sheep meat and meat-wool the directions are created with essential participation of the British breeds. Historically, sheep always was served as a one of the main world sources of meat and wool, and their milk was used mainly for receiving cheese. Actually, wool still belongs to the major agricultural goods used in world trade.

On a livestock of sheep China with an indicator of 224 million heads bypasses Australia 127 million winning usually first place in the world. More than a half of total quantity of sheep is the shares of developing countries in sector "Others". There are the countries of Asia, Africa and Latin America. The world livestock of sheep exceeded 2 billion heads, having decreased by 1% in 2008. In the developed countries meat-wool and meat sheep breeding, in developing countries breeds of a universal purpose, and also wool prevails. The general clipped wool in the world is more than 2 million. Most important wool producers are in Australia, China, New Zealand, Argentina, Uruguay and South Africa (Table 7).

Table 7

Livestock of sheep's and goats (in million heads)

Country	2004	2005	2006	2007	2008	2009	2010	2011	2012
Russia	12,7	16,4	18,0	19,3	19,6	19,8	19,8	20	20,2
In % to 2004	100	131	142	152	154,3	156	156	157	159
Ukraine	1,9	1,6	1,6	1,7	1,7	1,8	1,7	1,6	1,7
In % to 2004	100	85	85	89,5	89,5	112,5	89,5	85	89,5
Kazakhstan	35,3	34,6	34,4	15,3	16,0	16,8	17,4	17,9	18,1
In % to 2004	100	98	97,4	44	45,3	48	49,3	51	51,3
China	235	230	226	226	230	228	218	220	224
In % to 2004	100	97,8	97	97	97,8	97	92,8	93,6	95,3

Table 7 shows that the greatest livestock of sheep and goats is observed in China, however, some recession of number of a livestock in 2012 in comparison with 2004 for 4.7% is observed. In Russia the steady growth of a livestock of sheep and goats is visible. So, in 2012 it made 59% of total number of 2004. In Kazakhstan other situation is observed; the

greatest number of sheep and goats was at the beginning 2004, crisis in branch fell on 2008, then the livestock was reduced by 62%. Since 2005 gradual revival of sheep breeding in Kazakhstan is observed. Thanks to the state support and developing programs it was succeeded to increase livestock up to 18 million heads. In the future, further state support of sheep breeding is necessary and then it will be possible to come to leading positions in this branch among CIS countries (Chart 3).

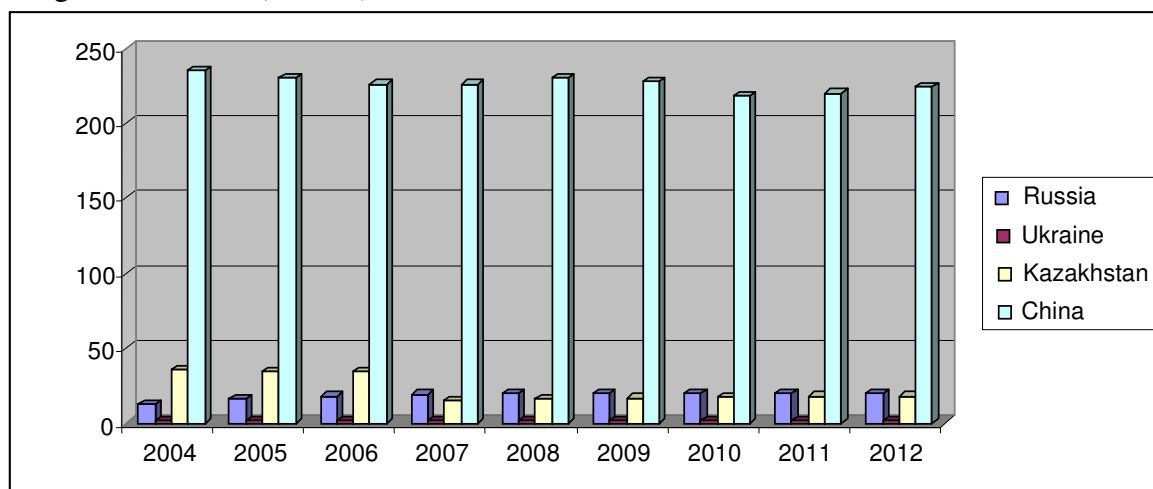


Chart 3: Dynamics of livestock of sheep's and goats;

Source: created by authors according to the Food and Agricultural United Nations; statistical year-book, 2012

It is visible that the specified countries Kazakhstan and Ukraine make about 1.5 million heads in 2012. In 2012 the general livestock of sheep's in Kazakhstan grew by 3% in comparison with 2011. So, it was 18.1 million heads. The southern areas of Kazakhstan are leaders on number of goats and sheep. In the Southern Kazakhstan area the livestock makes 3.8 million heads, in Almaty 3.43 million and in Zhambyl area 2.3 million heads [2].

In the North Kazakhstan area the number of sheep and goats in 2012 in comparison with 2011 increased by 13 thousand heads and makes today 280 thousand heads is the lowest indicator in the country [3].

Kazakhstan on the area of pastoral resources is included in the five of world leaders. Pastures occupy more than 70% of the territory of the country and have unique potential both for economy development and for ensuring ecological stability. However, pastures are the vulnerable ecosystem demanding close attention of the public. For a long time, pastures were exposed to intensive and irrational use. Intervention of human beings in total with climatic changes intensified processes of degradation of pastures.

The main food supply for animal husbandry in the conditions of arid and hot climate of Kazakhstan with limited water resources is natural pastures. The area of pastures in Kazakhstan according to Agency of the Republic of Kazakhstan on Land Resources for 2012 makes 182.2 million ha or 70% of all agricultural grounds [2]. However, only 30% of pastures are under cattle pastures because of their not water cutting, remoteness from settlements and remoteness of a livestock of cattle from the main pastures and concentration of cattle generally round settlements were practically used in recent years.

Pastoral resources of Kazakhstan are very extensive, but they are used not completely. After reduction of number of cattle in a transition period and disintegration of collective farms, use of pastures in the remote areas was reduced from 11.2 million hectares in 2012 to 2.8 million hectares in 2001 or by 75%. As a result, pastoral grounds in the areas remote from settlements are insufficiently used because the lack of drinking water limits to an animal access to these remote pastures. Now the excessive etching of pastures about rural settlements is a problem together with sharp exhaustion of natural pastures in densely populated districts, in particular in southeast part of the country. According to data Ministry of Agriculture

Republic of Kazakhstan, square the desert and the degraded lands makes 70% of the territory of the country, including 180 million hectares of pastures of extreme extent of degradation reached 26 million hectares.

In Kazakhstan pastures share on the 16 nee-autumn, summer and winter pastures used all the year round. Spring and autumn pastures make 65 million hectares. They occupy the big territory of an in sand zone in the south, the southeast and the West of the republic and extensive Betpak-Dala's territory in the Central Kazakhstan. In the early spring they become covered by a dense green carpet from various ephemeral plants. Summer pastures make 44 million hectares. As summer pastures of Kazakhstan meadows serve in mountains of the republic and the steppe of the Central, Northern and Western Kazakhstan. In the winter they are covered with deep snow and in the spring and in the fall here is too damp and is dirty because of plentiful rains and sleet. Winter pastures occupy 30 million hectares. On pastures the located in desert zones in the south, the southeast and the West of the republic and places on the southern slopes of ridges and heights of East and Central Kazakhstan cattle grazed in the winter. As here few frosty days and the earth seldom become covered by snow, the cattle even in cold time can contain on underfoot to forage. Besides, in Kazakhstan 42 million hectares occupy pastures which can be used all the year round. Their most part is in the South and the West Kazakhstan, in valleys of the rivers Or, Syrdarya and Urals, and also in better moisten sandy massifs of a desert zone.

We will consider dynamics of total area of sowing campaigns under forage crops, as a basis of food supply of animal husbandry in the Table 8.

Table 8

Total area under fodder grades of cultures

Years	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total area under crops in Kazakhstan	17454,2	18036,4	18445,2	18369,1	18954,5	20119,2	21424,9	21438,7	21083,0	21190,7
Including under fodder grades	2399,3	2515,8	2380,6	2255,6	2329,0	2486,2	2535,8	2555,6	2484,3	2517,4
Ud.Ves of sowing campaigns, %	14,0	14,0	13,0	12,0	12,0	12,0	12,0	12,0	12,0	11,8

According to the Table 8, in ten years the total area of sowing campaigns increased by 21% or by 3736.5 thousand hectares. Thus, the specific weight of cultivated areas under forages practically remained invariable; on the contrary it decreased by 2% in 2012 in comparison with 2003.

It should be noted that for such state as Kazakhstan with an enormous potential in the sphere of animal husbandry, such small specific weight of cultivated areas under forages is the negative moment as it eventually results in deficiency of forages, their import and eventually the high price even for domestic consumers in the animal husbandry sphere.

It is visible that serious changes in structure of cultivated areas aren't present and their size increased not significantly (Chart 4).

The main forage crops and dynamics of growth of the areas for their cultivation are shown. Most of all areas are occupied on long-term herbs, further one-year and on the last place corn crops on a silo. As a whole, cultivated areas under forage crops grow year by year.

Thus, the animal husbandry in Republic Kazakhstan is one of the main segments of agro-industrial branch. Huge pastoral grounds and favorable climatic conditions as a whole across Kazakhstan create good base for further development of branch.

Huge significance has to be attached to the state support of livestock branch by means of subsidizing system which has to become the main engine and considerable support of effective growth of livestock branch of Kazakhstan.

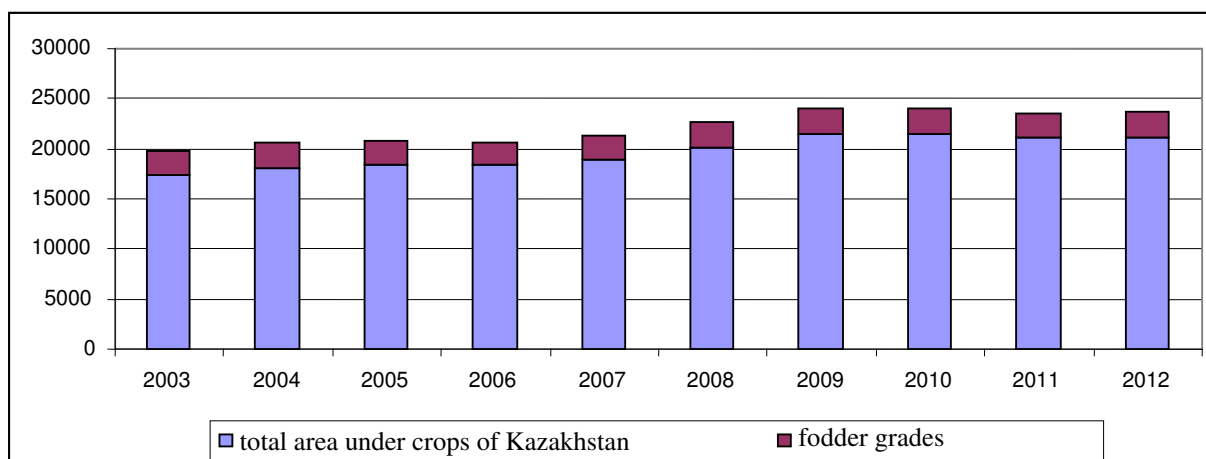


Chart 7: The total area of sowing campaigns, including under fodder grades;

Source: created by authors according to the data of Agency of the Republic Kazakhstan; statistical collection "Rural, Forest and Fishery in the Republic of Kazakhstan, Astana 2013"

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# THE DEVELOPMENT OF CREATIVE INDUSTRIES AS A FACTOR OF ECONOMIC GROWTH OF UKRAINE

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**Abstract:** *This article discusses the development of creative industries in the EU specifying that these countries occupy a leading position by the pace of development of cultural and creative industries. In this article we focus on the fact that not only the European countries invest in creative and cultural industries ensuring the development of the creative economy, but also international partners such as the United States, China, South Korea, India. In order to ensure the competitiveness and economic growth of Ukraine, creative industry becomes relevant for the country. Issues related to the development of the creative economy in Ukraine are highlighted in the article. We also suggested ways of overcoming them and examined the prospects for further development of the creative industries, which will contribute to the economic growth of Ukraine.*

**Keywords:** *creative industries, creative economy, economic growth of Ukraine, creativity, innovations*

## INTRODUCTION

At the beginning of the 21<sup>st</sup> century, globalization becomes a leading trend of the world economy that caused the rapid development of new technologies. Today creativity promotes economic growth in the country. Creative industries are an important socio-economic factor of the development of the world economy that enhances cooperation between countries and creates intellectual property. Creative industries contribute to the stimulation of development of individual countries and cities. As a key sector of the economy the creative industries are important, along with the innovative economy and the knowledge economy.

In Ukraine there wasn't given sufficient attention to the research of the development of cultural and creative industries. Thus, considering particularities of functioning of the creative industries in Ukrainian realities, we will highlight successful and less developed areas, emphasize main problems and prospects of development, and identify the most effective tools to support these industries. Then, the feasibility of adapting the EU's experience in the creative industries supporting will be proven.

## MATERIALS AND METHODS

The aim of the article is to research on the development of creative industries and their impact on economic growth of Ukraine. The basis of the study is the works of foreign and Ukrainian experts in this area. Among the leading researchers we should note the work of R. Florida, J. Howkins, R. Caves, Antoshkina L., Zayeva L. and others.

Our study is based on the use of methods such as analysis, comparison, logical knowledge, synthesis.

## RESULTS

The European Union occupies one of the leading positions on the level and pace of development of cultural and creative industries, ahead of the U.S. and China. Economic indicators of cultural and creative industries in the EU account for 3.3% of GDP, and they employ 6.7 million people (3% of total employees). Rate will be significantly increased if consider the fashion and high-end industries, characterized by persistent production of cultural and creative goods and services. They account for 3% of EU GDP, and each has in employ respectively 5 and 1 million people. Employment in high-end industries is expected to reach 2 million people by 2020 [5].

Research conducted by UNCTAD showed that the cultural and creative industries accounts for about 4.5% of EU GDP and 3.8% of jobs (more than 8.5 million jobs, including the collateral cooperation in other sectors). Studies show significant growth of creative industries potential: between 2000 and 2012 years employment has increased average by 3.5 % per year in these sectors, compared with 1% in the general economy of the EU -27. The pace of job growth in the U.S. and China in these sectors was also fast – by almost 2% per year [3]. Europe is by far the world leader in the export of creative industries' goods and services.

International partners invest in many European cultural and creative industries. U.S. invests in them for decades and defines them as strategic sectors. Also, Americans use the creative industry as a tool to strengthen U.S. presence in the world. Other countries, such as China, South Korea and India also sent large amounts of investment to boost their economic potential. But in order to become leaders in this area, they enter the global competition for creative talents. For example, in China governmental investment in culture is growing by 23% annually since 2007, and it is planned for the future to increase the share of these sectors in GDP from 2.5% to 5.6 % by 2015 [4].

Therefore, the creative industries are very promising; in the future they will enhance the competitiveness of the economy and the state as a whole. Nowadays, the creative industry in Ukraine, a country with transition economy, becomes a factor of modernization changes in the economy.

We want to notice that creativity-based business plays an important role in the formation of creative economy. Our analysis shows that currently in Ukraine this sector develops in unstable way and weakly substitutes in the small business system. Development of cultural and creative industries requires an integrated approach that will ensure the development of modern models of regional economic development and the development of creative industries sectors.

The study of the creative economy in Ukraine revealed a number of problems. And it is not only a lack of fundamental improvements in this area adapted to Ukrainian reality, but the fact that the study is complicated by the allocation of creative industries in a distinct system.

The special role of the creative economy in Ukraine is connected with the need to eliminate a significant differentiation of socio-economic development, primarily caused by the uneven distribution of productive resources and lack of strong manufacturing base in most regions [1]. In Ukraine the development of the creative economy can be seen as a new resource of social and economic development of regions, as a factor of increase of their competitiveness, as well as cultural foundation of the brand of certain territories and regions.

In the process of formation of regional policy and creative economy it must be considered that the principal difference between its development in Ukraine and in foreign countries is particularity of the basic models of the economic activities and mentality that is defined by cultural and historical genesis. Thus, the main difference between the creative economies lies in its purpose, which is based not on profit maximization, but on creation of new creative products.

## **DISCUSSION AND CONCLUSIONS**

Summarizing we should say about the prospects and problems of creative industries in Ukraine.

Perspective, in our view, is to create conditions for the development and realization of creative potential of people and, above all, creative young people, creating exceptional learning environment where the emphasis will be put on personal growth, the disclosure of internal potential of person, development of business and creativity in all areas. Creation of governmental support system of innovative projects that are being developed, and technologies not only in science but also in culture and creative industries should be the main point.

The development of creative industries in modern European countries is inextricably linked to the economy of knowledge. At the time when most European cities are postindustrial, Ukrainian cities still have industrial status through its specific historical, cultural and geo-economic development factors.

However, the sector of the creative economy in Ukraine is gradually developing. In general we can say that Ukraine already has a sufficient number of developing creative SMEs, which become more important every year. In Kiev, Lviv, Kharkiv, Donetsk, Zaporozhye, Odessa and other big cities of Ukraine creative clusters are set up, special art projects in the area of modern arts and in the traditional artistic culture are implemented, new institutions such as agency creative industries, creative residences, private galleries are founded.

General problem is to find mechanisms to implement the concept of creative industries in the current socio-economic conditions of the state. At this stage, the main catalyst for the creative process should be its inclusion in the policies and programs of urban and national development [2].

For sustainable development of the creative industries in Ukraine the most important components are achievement of professionalism and stability in the interaction of culture and business. It is necessary to expand understanding of culture as a sphere of creativity, process of change and innovation. Various forms of cooperation and partnership of all stakeholders – the state, regional and local authorities, NGOs, business – will promote economic growth in the country.

For the development of the cultural and the creative industries in Ukraine EU experience is important, because there are examples of the transformation of certain areas and regions from production into the creative production. In addition, the creative industries in the EU have evolved gradually, but rapidly through the introduction of effective mechanisms of support. This demonstrates the correctness of the choice and appropriateness of their use in strategy of development for creative industries in Ukraine. Therefore, the experience of the leading countries in this area must be used; creative education will contribute to the formation of professionals and experts in the cultural and creative industries.

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# INNOVATION AS A STRATEGIC FACTOR OF RAISING THE COMPETITIVENESS OF NATIONAL ECONOMY

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**Abstract:** *The article highlights the role of the innovation as strategic factor of increasing of the national economy competitiveness. The main approaches of defining the key determinants of raising the country's level of competitiveness are presented. The GII conceptual framework of the world's most developed countries is chosen and according to recent data the detailed comparison is conducted. The main strengths and weaknesses of national economy are highlighted and the following recommendations are provided.*

**Keywords:** *innovation, national economy, competitiveness, GII, strategic approach*

## INTRODUCTION

Nowadays, the innovation has become a driver of economic growth and prosperity [9]. Thus, the need for a broad vision of innovation is becoming more crucial for both developed and emerging economies. Due to increasing globalization processes, it is important to include a wider range of indicators that go beyond the traditional measures of innovation such as the level of research and development.

In order to conduct our study, the literature review has been made. It was found out that there are numerous works dedicated to the question of the role of innovations in economical development and raising competitiveness of world leading economies. Scholars as Adams, Kotler, Mintzberg, Porter, Schumpeter and others highlight the idea that the successful development of the national economy mainly depends on innovations as the main precondition for stability, sustainable development and competitiveness of the economy.

Even though there lots of studies were made in this area, after careful analysis of the literature, it has been observed that there is a gap in the research of raising the national economy competitiveness, where innovation approach plays a key role. This makes our research rather urgent and useful to conduct further studies of the topic about the impact of innovation on the country's competitiveness. Thereby, the main objective of this research is to provide a comparative study of Ukrainian economy and the world leading counties in innovation development, to detect the major strengths and weakness of the economy and to provide recommendations to make it more innovation-oriented.

The article is structured in several parts: firstly, the methods and materials of the research are highlighted. Secondly, the results of the research are shown in order to cover the main issues of raising the national economy competitiveness. Then recommendations are provided, explaining the role of innovation approach while developing the national economy. The article ends with a brief conclusion.

## MATERIALS AND METHODS

While conducting the research such scientific methods and techniques were used: analysis and synthesis, statistic methods of gaining data, hypothetic-deductive methods, ranking and radar method etc. As a pattern for national competitiveness comparison and evaluation the GII has been chosen.

## RESULTS OF THE RESEARCH

Recently, the competitiveness in global perspective has emerged as a new paradigm in economic development. Competitiveness captures the awareness of both the limitations and challenges posed by international competition. In addition, the effective government is now

enforced by budget limits, while the private sector faces significant barriers to compete in domestic and international markets. According to the Global Competitiveness Report of the World Economic Forum [12] national competitiveness can be defined as the set of institutions, policies, and factors that determine the level of productivity of a country. Over the last decades there has been a tendency of changing from static methods of gaining of competitive advantages to more dynamic and innovation-oriented ones, which include the development of education, scientific and technological sphere, and the successful integration of human capital, information and intellectual propriety.

According to Porter [8], who explored the competitive advantages of different countries, the national prosperity neither can be inherited, nor gained out of available natural resources or labor. It has to be created. It is the industries' ability to innovate and modernize is the most important for national competitiveness. Thus, the competitive advantage is based on the process of constant development and improvement, the process of innovation stimulation [9]. Moreover, the extent of the use of the competitive advantages is associated primarily with the introduction of new products and technologies, as they represent the basis of competition in the international economic environment.

As a main factor of a global economical environment, Schumpeter [10] considers the market as a process of curve-like changes in innovation activity. Therefore, for the countries which do not have such strong economy, it is essential to carry out a strategically rational innovation policy. So, the strategy of the innovation process developed by government is crucial for the economic mechanisms to make appropriate market transformations through creation, implementation and practical application of up-to-date technology, products etc.

However, the some modern approaches [1, 2] state that it is curtail to consider the distinction between the commercialization of knowledge and science in one side, and the socialization or embedding of science and technology in the broader framework of civil society on the other side, while analyzing the national competitiveness. In this connection the concept of cognitive mobilization can be used which means the response of individuals, organizations and societal subsystems to the processes of the innovation development of society, as well as to the commercialization of knowledge [2].

Therefore, in order to achieve a higher level of competitiveness of the country, the following issues should be considered: creation and acquisition of new knowledge as a basis of effective competition; development of internal competition that promotes innovative activity by creating a competitive advantage through the use of innovation, new technologies, knowledge and information; ability of both separate companies and whole industries to generate innovations and to improve and modernize them; stimulation of new industries and development of new businesses.

### **Global Innovation Index Conceptual Framework**

The GII relies on two sub-indices, the Innovation Input Sub-Index and the Innovation Output Sub-Index, each built around pillars (Figure 1). Five input pillars capture elements of the national economy that enable innovative activities: (1) Institutions, (2) Human capital and research, (3) Infrastructure, (4) Market sophistication, and (5) Business sophistication. Two output pillars capture actual evidence of innovation outputs: (6) Knowledge and technology outputs and (7) Creative outputs.

Each pillar is divided into sub-pillars and each sub-pillar is composed of individual indicators (84 in total). Sub-pillar scores are calculated as the weighted average of individual indicators; pillar scores are calculated as the weighted average of sub-pillar scores.

While conducting this study it has been found [5] that in 2013, the ranking covered 142 economies, accounting for 94.9% of the world's population and 98.7% of the world's Gross Domestic Product (in US dollars). The top-fifteen countries were analyzed. Such countries as: Switzerland (66.6), Sweden (61.4), UK (61.2), Netherlands (61.1) and USA (60.3) composed the top-five. Ukraine took the 71<sup>st</sup> position with the score of GII average 35.8, which indicates a quite weak position of national economy.

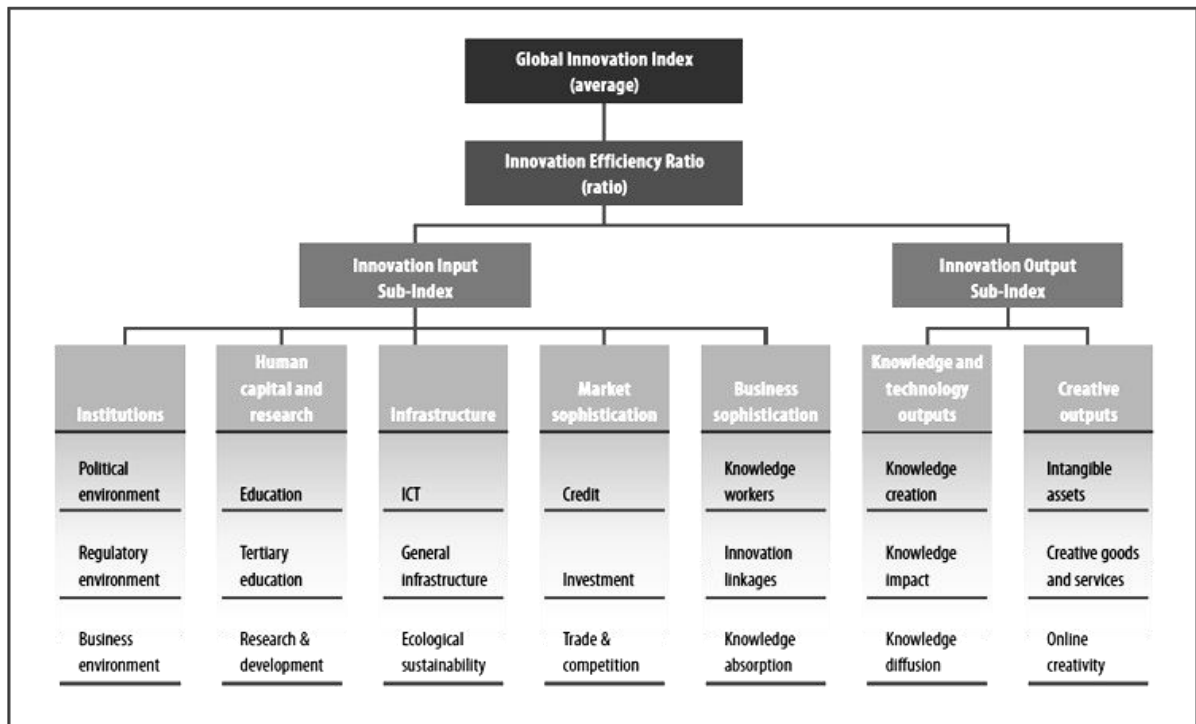


Figure 1: The Global Innovation Index Framework, Source [5]

In order to conduct a comparing analysis with Ukrainian GII Norway was chosen. Norway takes the 2<sup>nd</sup> highest GDP per-capita (after Luxembourg) and 4<sup>th</sup> highest GDP per-capita in the world [4]. Today, Norway ranks as the second-wealthiest country in the world in monetary value, with the largest capital reserve per-capita. In 2013 the Norwegian GII average is 55.6 out of 100 which provides Norway with 15 positions in the ranking.

As shown in Figure 2, Norway scores more than Ukraine in all five input pillars. The most significant difference is shown in Institutional and Infrastructure pillars. The Institutional pillar Norway has one of the highest scores (93.4), while Ukraine almost half as much. As for development of Ukrainian infrastructure is dramatically low 26, while Norwegian is more than twice higher and scores 60.7.

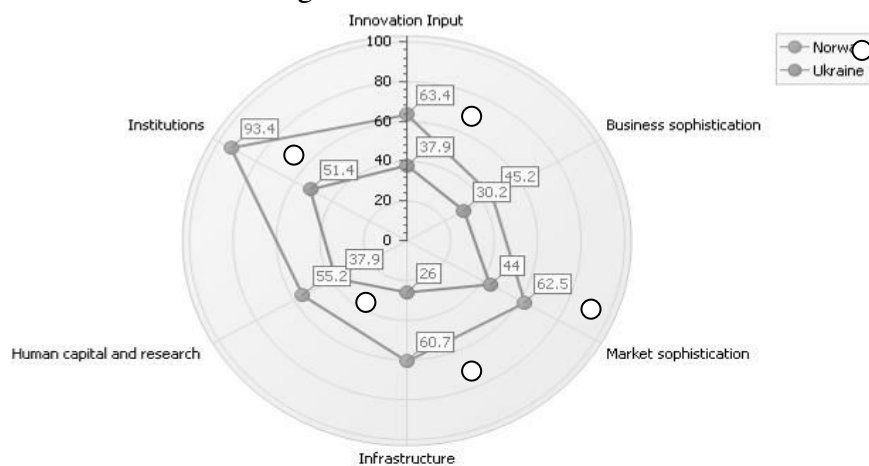


Figure 2: The comparison of five input pillars of Norway and Ukraine;  
Source: compiled by the authors according to [5]

The comparison the output pillars (Figure 3) indicated that the position of knowledge and technology outputs of Norway (36.1) and Ukraine (32.0) are almost the same, although scores aren't high for both countries. Creative outputs of Ukraine remain low (35.3), which reflect that such sub-pillars as intangible assets, creative goods/services and online creativity aren't developed enough.

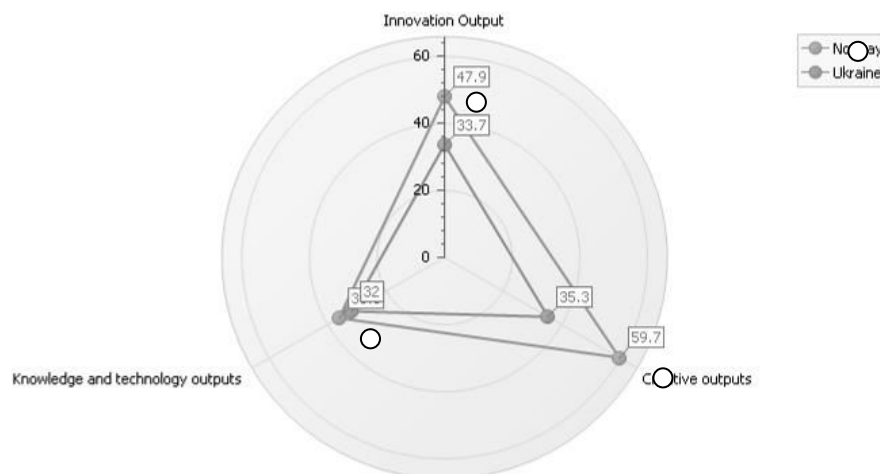


Figure 3: The comparison of two output pillars of Norway and Ukraine;  
Source: compiled by the authors according to [5]

Therefore, the after analysis of gained data, it is possible to define main strengths and weaknesses of Ukrainian economy as an innovation-oriented. As it is summarized in Table 1, Ukraine has great potential in educational sphere (public expenditure on education per pupil is 80.9) and best results in national office resident utility model applications (95.0). However, there are numerous weaknesses that influence the innovation development of national economy. Such sub-pillars as ease of resolving insolvency, GDP per unit of energy use and national feature films produce introduce the lowest ranks (4.2, 4.8 and 2.8 respectively). Besides, such low indications as rule of law, government effectiveness have a negative impact on the national economy competitiveness.

Table 1

Strengths and weaknesses of the Ukrainian economy (GII pattern)\*

Strengths (Economy's best percent ranks)			Weaknesses (Economy's worst percent ranks)		
Index	Pillar/Sub-Pillar/Indicator Name	Percent Rank	Index	Pillar/Sub-Pillar/Indicator Name	Percent Rank
2.1.1	Expenditure on education	80.5	1.1.2	Government effectiveness	12.7
2.1.2	Public expenditure on education per pupil	80.9	1.2.2	Rule of law	17.7
2.2.1	Tertiary enrolment	94.6	1.3	Business environment	10.6
2.2.2	Graduates in science and engineering	83.8	1.3.2	Ease of resolving insolvency	4.2
5.2.3	GERD financed by abroad	87.3	1.3.3	Ease of paying taxes	12.0
5.3.1	Royalties and license fees payments (% of service imports)	80.0	3.3	Ecological sustainability	14.5
6.1	Knowledge creation	88.6	3.3.1	GDP per unit of energy use	4.8
6.1.1	National office resident patent applications	83.1	3.3.2	Environmental performance	20.6
6.1.3	National office resident utility model applications	95.0	5.2.2	State of cluster development	19.2
6.2.1	Growth rate of GDP per person engaged	90.5	6.2.2	New business density	23.8
7.1.1	National office resident trademark registrations	79.3	7.2.2	National feature films produced	2.8

\*Source: compiled by the authors according to [5]

In this case, it becomes crucial for Ukrainian government to pay more attention to strategic innovation development which aims to create new and/or improve existing goods, services or technologies as a major issue of increasing the competitiveness of separate companies and the whole economy.

## DISCUSSION AND CONCLUSION

According to the conducted research, innovations are a key factor of market economy growth as well as achieving the high level of national competitiveness in modern globalized economies. Nowadays, there is no country in the world where competition for leadership in international markets is not bound up with innovations. As for Ukraine this applies even more because national economy stills needs to create competitive advantage and present them on a global market economy, which can only be reached through the introduction of innovative development strategy.

Even though, Ukraine took rather low position in GII 2013 ranking – comparing to other developed counties – it still has great potential to develop even more the main strengths and reduce possible threats from weaker pillars of innovation-oriented economy. Thus, the priority for our country should become the implementation of strategic program aimed to develop an innovative model of economic growth, and strengthening of Ukraine as knowledge-oriented country. It is essential to change the priorities in Ukrainian industrial policy, and to reorient the industrial complex in order to prioritize the development of high-tech industries. The deep awareness of strengths and weakness of national economy will not only accelerate the economic growth of Ukraine, but will also help to achieve the high level of competitiveness of goods and services in order to compete in the global markets.

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# ASSESSMENT OF THE INNOVATIVE INVESTMENT PROJECT (NEW RAILWAY LINE BORZHAKTY-ERSAI)

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**Abstract:** *Effective use of territorial, geopolitical and geo-economic features of the Caspian Sea basin is one of the priority directions of development in modern economy of Republic Kazakhstan. The economic opportunities to realize an innovative investment project in the development of railways and transport logistics in Republic of Kazakhstan are considered in this article. Authors described the greatest investment project of construction a new railway line "Borzhakty-Ersai" in Western Kazakhstan on Mangyshlak. Economic and social effects of this project are characterized.*

**Keywords:** *logistics, railway, investment project, economic efficiency*

## INTRODUCTION

The subject of our research is justification of an investment project for the construction of a new railway line Borzhakty-Ersai. The objectives of our research are to explore the possibilities of achieving the highest social and economic results in the implementation of the investment project; to evaluate of the effectiveness of investment project and to justify the economic significance of this project in Republic Kazakhstan.

The purpose of this article is to analyze the effectiveness of the investment project of a new railway line Borzhakty-Ersai. Economic analysis of the new railway line is the final stage. The main purpose of economic analysis is to provide a basis for consideration of the possible effects and consequences (both positive and negative) by means of: 1) definition of non-permanent economic variables (such as price, quality and demand); 2) assessment of non-monetary values of the project with the help of behavioral researches that compare the measured expenses and other expenses with results (benefits) of the project and determine its viability. Economic analysis justifies the need for financial, material and human resources for the project from a social standpoint. The following issues are considered in the economic analysis: 1) sectional evaluation of the project based on the findings of Ministry of Transport and Communications; 2) regional evaluation of the project implemented by regional or urban governorates by location of the projected construction; 3) macroeconomic evaluation of the project based on the conclusion of the Agency of strategic planning and forecasting; 4) environmental assessment of the project; 5) evaluation of the non-departmental public expertise (authorities of Kazakhstan state conclusion expertise or its territorial departments).

Economic evaluation of investment project of the new railway line on the basis of the state support must be directed to the maximization of the integral effect including commercial, budget and national economic effectiveness. From the standpoint of budgetary effectiveness, project should be directed to achieve the highest possible social and economic results.

This problem is researched in the scientific works of N. Issingarin, G. Namazbaevoy and N. Bisembayeva. The authors study the implementation issues of the Concept of the State Transport Policy in Republic Kazakhstan to improve the organization of the transportation by means railway and the main directions of rail transit development. However, issues of economic effectiveness evaluation of this investment project are still unexplored.

## ACTUALITY OF OUR RESEARCH

Development of regional transport infrastructure affects the development of the country's economics. Therefore the balanced development of the transport system and the strengthening of regional cooperation of central and local authorities in matters of state regulation of transport while maintaining the trend toward decentralization is a prerequisite for the country's competitiveness. Development of ports in the Caspian Sea is a good example

of implementation the State Program on development of the Kazakhstan sector of the Caspian Sea and the National Program of establishment a Merchant Marine, which approved by Government of the Republic of Kazakhstan (Law no. 916; September 26, 2006 [5]).

The market analysis of shipping on the Caspian Sea defines Kazakhstan as the main freight-traffic country on the Caspian Sea. The total volume of transported goods in the Caspian basin by water transport amounted about 30 million tons in 2012. The share of Aktau and Bautino port is more than 38% in maritime transportation. In 2015, the projected traffic volume on the Caspian Sea will increase to 65 million tons; the share of Kazakhstan's export / transit will increase to 46% of the total traffic and will be about 30 million tons. Existing state of freight traffic via Transport Corridor Europe-Caucasus-Asia (TRACECA) through Aktau port is characterized by limited traffic. It is caused by absence of transit cargo and uncompetitive tariff regime for transportation of Kazakhstan's exports in comparison with alternative rail routes. At the moment, the volume of traffic is about 337 thousand tons, including 24.4 thousand tones of transit cargo and 0.3 thousand tons of containerized cargo.

In order to minimize possible risks it is necessary to diversify the traffic and to create the conditions for alternative shipping directions. Expansion of Aktau port and the construction of a new seaport Kuryk require increasing bandwidth capabilities of magisterial connecting them with oil fields.

## **MATERIALS AND METHODS**

Methodological basis of our research is cognitive scientific method, primarily dialectical method, providing for a systematic approach to solve organizational and socio-economic issues; economic analysis as well as a method of complex institutional analysis.

## **RESULTS**

Mangystausk branch of Stock Company "Oil Company Kazakhstan Temir Joly" has determined the best option laying railway line. Best experts have studied the perspectives of this project. It was planned to implement the construction project of the railway line Borzhakty - Ersai connecting Kuryk with mainline rail network in order to transport service of Kuryk port. Commercial attractiveness of building a new railway line Borzhakty - Ersai is determined by the level of forecasted income.

Projected sea port nearby the village Kuryk will be an important structural component of the international transport corridor based on the four international rail routes passing through the territory of Kazakhstan. Seaport Kuryk will be equipped with a set of technical equipment for the servicing cargo traffic coming through the Kazakhstan state border, i.e.: 1) ferry; 2) terminals, providing the possibility to overload equipment, bulk cargo and heavy containers; 3) serving infrastructure. In 2020, Seaport Kuryk will service export-import as well as transit cargo up to 5 million tons per year. The financial impact of our project is assessed through the evaluation of capital expenses in the current market prices. At the same time, the evaluation of project's economic impact is an important part of state projects. As a rule, to assess the economic impact of the project we can use standard techniques. They are based on the definition of the economic benefits and their quantification. There are several approaches to assess the economic effectiveness of the project. The mostly used methods are the least-cost analysis and quantification of the economic benefits. Savings because of transportation through the new line Borzhakty - Kuryk (Ersai) are shown in Table 1.

Newly emerging volume of freight traffic through increasing of the real consumer demand will provide an additional profit for the railway industry and additional income to the state budget. Efficiency of the investment project is estimated by means of key financial indicators for the railway industry as whole, i.e. from the standpoint of one participant, who is implementing the project with own capital. For this reason, performance indicators are based on cash flows of investing and operating activities. The main goal is the search for investors. Payback period of capital investments is shown in two variants: with the provision of investment tax preferences and without them. Corresponding calculations are shown in Table 2.

Table 1

Savings on organizing transportation through the new line  
Borzhakty - Kuryk (Ersai), mln. Tenge

No	Cargo	Year					Total sum
		2016	2017	2018	2019	2020	
1	Grain	207	594	697	746	798	3 041
2	Coal	138	199	304	325	348	1 313
3	Oil	536	960	1027	1 099	1 176	4 798
4	Other cargo	137	304	119	127	136	823
	Total sum	1 018	2 057	2146	2 297	2 457	9 975

Table 2

Main financial indexes of project's effectiveness

No	Indexes	Calculation with the provision of investment tax preferences	Calculation without the provision of investment tax preferences
1.	Net profit, mln. Tenge	435 544,04	622 205,77
2.	Net income, mln. Tenge	456 762,56	699 154,20
3.	Payback period, years		
	- simple	9,78	7,44
	- discounted	6,09	5,10
4.	IRR, %	5,00	5,10
5.	NPV (E = 9%), mln. Tenge	- 865 407,48	592 725,0
6.	PI, %	84	111

With a projected growth in volumes of freight, tariffs may be reduced about 15% to the fifth year of railway line operation with the purpose of the active customers' involvement.

### RESULTS

Project implementation for the construction of the railway line Borzhakty - Ersai improves development of transport and communication infrastructure of Mangishlak area. It is one of the key factors of accelerated development of the productive forces in the west of country. Economic benefits of the project: 1) full-fledged seaport with modern infrastructure; 2) increasing employment in the sphere of railway construction on the first project stage and in the sphere of servicing of the railway line in the future; 3) satisfying the exporters demand. In case of successful project, opening a railway siding Borzhakty will increase capacity Aktau-Uzen. The volume of traffic will increase with the full commissioning of the Turkmen and Iranian sites of line Zhanaozen (Bolashak) - Gyzylgaya - Bereket - Etrek - Gorgan (Iran).

### DISCUSSION AND CONCLUSIONS

Reducing transport expenses in products' prices has a positive impact on the efficiency of the production industries and enhances the competitiveness of Kazakh goods. Reducing transport time will reduce expenses of companies for creation reserves of current assets by reducing the cost of the cargo weight on the way. The project can be considered effective in standpoint of the investor, because profit will become financially self-sustaining for the third year of the project. A significant factor in the effectiveness of the project is payback period. It will not exceed ten years. At the same time, investment tax preferences will increase the efficiency of the project.

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