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## THE SUBSTANTIATION OF THE NECESSARY TO OBSERVE THE SOCIAL JUSTICE IN THE COURSE OF REFORMING THE TERRITORIAL STRUCTURE OF UKRAINE

*Об'єктом дослідження є процес дотримання соціальної справедливості у ході реформування територіального устрою України. Реформа місцевого самоврядування, що значно активізувалась на протязі останніх п'яти років в соціально-економічній системі України, реалізується на тлі євро-інтеграційних процесів та глобалізації економіки, що не можуть не вплинути на результати децентралізації влади. Однією з вагомих проблем процесу реформування територіального устрою України є дотримання соціальної справедливості за умови досягнення економічного ефекту від заходів, які впроваджуються.*

*У ході дослідження були використані теоретичні та емпіричні методи і прийоми, а саме: аналізу та синтезу, індукції та дедуції, теорії логіки, когнітивного моделювання, компаративістики, абстрагування, формалізації та структурної декомпозиції, контент-аналізу.*

*В роботі отримано низку нових наукових результатів різного ступеня новизни. Узагальнено та проаналізовано теоретичні аспекти світоглядної платформи реформування територіального устрою. Доведено, що імплементація закордонного досвіду має проходити з урахуванням ментальної специфіки українського суспільства. Побудовано когнітивну модель причинно-наслідкових зв'язків між економічною та соціальною складовими регіональної системи. Доведено пріоритетність трирівневої побудови держави, в якій базовою ланкою є територіальні громади. До складу компонент моделі економічної системи регіону запропоновано включати сировинну та людську складові, а також основні засоби виробництва, як характеристики стану економічної системи. Розраховано тісноту зв'язків між економічними та соціальними показниками, як індикатор дотримання соціальної справедливості у суспільстві.*

*Побудова моделі причинно-наслідкових зв'язків між складовими соціально-економічної системи регіону дала змогу довести, що поняття соціальної справедливості невід'ємне від економічних результатів господарювання її первинних ланок. Ефективне функціонування кожної з територіальних громад, як первинних ланок адміністративної системи регіону є обов'язковою умовою формування соціальних стандартів життя населення на рівні світових аналогів.*

**Ключові слова:** соціально-економічна система регіону, адміністративний устрій, територіальна громада, соціальна справедливість, економічна ефективність.

### 1. Introduction

Ukraine, like other states, operates in an interconnected and interdependent world. Modern economic activities of the country are accompanied by the processes of globalization and world integration of economic activity, as well as regionalization. They have a direct impact, both positive and negative, on the functioning of economic systems in the regions of Ukraine. A condition for reducing the negative impact of these processes may be the implementation of a policy of optimal allocation of productive forces, which has developed on the development of local government and the transfer of responsibility to the field. The solution of this problem is possible by justifying the optimal allocation of productive forces in territorial communities in order to obtain the greatest possible effect, in other words, from the best territorial organization of the region of the country. Proceeding from the foregoing, there is actual evidence of the need to observe social justice in the course of reforming the territorial structure in Ukraine.

### 2. The object of research and its technological audit

*The object of research* is the process of observing social justice in the course of reforming the territorial structure of Ukraine. This process is inextricably linked with the formation and development of territorial communities, as the primary link of the administrative structure of the regions of Ukraine.

The present territorial community in Ukraine is not an analog of its historical prototype. This unit is created by the state. Territorial community is a set of citizens of Ukraine who live together in a city or rural settlement, have collective interests and the legal status determined by law. Unlike a simple territorial unit, a settlement that has the status of a territorial community is given certain rights. First of all, this is the right to self-government [1].

The primary carrier of local self-government is the territorial community. The right to existence of a territorial

community as a subject of economic and financial activity is for the first time envisaged in the Constitution of Ukraine [2], adopted in 1996. The territorial community is a subject of economic activity, combining simultaneously both functions of a grassroots, basic administrative-territorial unit, and a carrier of local self-government, an institution of power.

According to the Constitution of Ukraine [2] local self-government is carried out by the territorial community. It can be carried out by society both directly and through local government. Local self-government bodies are rural, township, city councils and their executive bodies. The local and regional councils are the bodies of local self-government that represent the common interests of the territorial communities of villages, towns and cities.

Territorial communities choose appropriate councils. They choose a village, town or city head. The chairman of the regional council is elected by the deputies of the respective council.

Article 142 of the Constitution [2] establishes that the material and financial basis of local self-government are:

- movable and immovable property;
- incomes of local budgets;
- other means;
- land;
- natural resources owned by the territorial communities of villages, towns, cities, districts in cities;
- objects of their common property, which are in the management of district and regional councils.

Article 143 of the Constitution [2] notes: territorial communities directly or through the bodies of local self-government formed by them:

- manage property in communal ownership;
- approve programs for socio-economic and cultural development, monitor their implementation;
- approve the budgets of the relevant administrative-territorial units and monitor their implementation;
- establish local taxes and fees in accordance with the law;
- ensure the holding of local referenda and the implementation of their results;
- form, reorganize and liquidate public utilities, organizations and institutions, as well as exercise control over their activities;
- solve other issues of local importance, attributed by the law to their competence.

Territorial communities, according to the Constitution of Ukraine [2], can unite on contractual basis objects of communal property. And also means of budgets for performance of joint projects or for joint financing (maintenance) of municipal enterprises, organizations, institutions, create for this purpose relevant bodies and services.

The territorial community performs important public functions, ensures the implementation of the basic social and economic rights of citizens, is an instrument to involve them in the management of society and its economy. So, society is a built-in stabilizer of the socio-economic system in the country and its socio-political situation. The economic and financial activities of the community in Ukraine are in the making. That is why, it is necessary to improve the methodological support for monitoring the observance of social justice during the functioning of the economic system of each of the regions of Ukraine.

### 3. The aim and objectives of research

*The aim of research* is improvement of the methodological support for monitoring the observance of social justice in the course of the functioning of the economic system of territorial communities.

Proceeding from the set aim, the objectives of research are:

1. Substantiation of components of the world outlook platform of economic reform of the regions of the country and territorial structure of Ukraine.
2. Definition of cause-effect relationships between the indicators of socio-economic development of the country's regions.
3. Identification of the model of the regional economic system.
4. Determination of the composition of the model components of the regional economy.
5. Determination of the appropriateness of observing social justice in the course of reforming the administrative division of Ukrainian regions.

### 4. Research of existing solutions of the problem

Most of the scientific work is concentrated on the problems of optimal allocation and development of productive forces in the regions of the country [3, 4]. By definition [5], the distribution of the productive forces is understood as the distribution of productive forces across the territory in accordance with the natural, social and economic conditions of its individual parts and regions, which is determined by the peculiarities of the social and territorial division of labor.

According to the authors of [6], the development of productive forces is the basis of all social development. The level of development of the economic system of the administrative territory depends on the level of development and the nature of the productive forces, primarily on the level of complexity and perfection of production. On the other hand, the development of the productive forces underlies the change and development of the second component of the administrative territory system – the social one.

The productive forces are the source of economic growth and carry out work on the production of goods and services, at the same time they are the basis for creating certain living conditions for the population of the administrative territory [6]. One of the factors of this situation is that the productive forces are the subject of study of many branches of knowledge, they are at the intersection of technical, economic and social sciences. In the main, research in this direction is aimed at determining the subject-object content of the productive forces. They are united in one system, they create the living conditions of the population.

In work [7] the authors focus on the marketing approach to solving the problems of regional development, which deserves attention. But they do not focus on the problem of observing social justice in the course of regional transformations.

The paper [8] is devoted to the construction of models of regional systems. Modeling provides significant advantages in building future states of a regional system. It is the basis for building predictions for the future. However, the social component often becomes poorly projected. The authors of [9] came to the same conclusion.

The author of [10] dealt with issues of labor migration, which are directly related to the problem of social justice, but the search for solutions was in the field of tax legislation. This greatly limited the possibilities of scientific research.

In work [11] social and legal aspects of administrative division of territories were considered that formed the basis for determining the essence of social justice. The second component of the theoretical basis was work [12], in which the human factor was taken as a basis. The theoretical combination of the two approaches widened the content of the notion of justice.

The research is based on the theory of regional distribution [13], which is the most consistent with the established practice in Ukraine.

Summing up scientific research in this direction, it can be argued that the problem of improving the methodological support for monitoring the observance of social justice during the operation of economic systems within each territorial community in the regions of Ukraine requires a solution.

To study the influence of the productive forces, most scientists consider the economy from the point of view of the production process, for which the following basic factors of production are used, such as labor, land and capital goods, that is, the various means of production that are created by man. The search for the optimal model for combining the components of the productive forces with the economic result will allow:

- make the best use of available resources;
- determine the state of the economic system of the administrative territory and its impact on the social standards of life of the population.

## 5. Methods of research

In the course of the research, theoretical and empirical methods and techniques were used, namely:

- analysis and synthesis – to compare the opinions of scientists and synthesize the author's position on determining the place of communities in the socio-economic system of the region;
- induction and deduction – for the implementation of analytical procedures, the combination of personal opinions of experts on issues of regional economy in the author's vision of ways to solve the problem of compliance with social justice;
- theories of logic – to justify the expediency of observing social justice in the course of reforming the administrative division of the regions of Ukraine;
- cognitive modeling – to determine the cause and effect relationship between the indicators of socio-economic development of the country's regions;
- comparative studies – to identify the model of the region's economic system;
- abstraction, formalization and structural decomposition – to determine the components of the regional economy model;
- content analysis – to justify the components of the worldview platform for reforming the economy of the regions of the country and the territorial structure of Ukraine.

## 6. Research results

Under the productive forces (English Produce) [14] let's define – the means of production (tools and objects

of labor), through which produce material goods (carry out material production). And also people who are able to work, have certain skills and knowledge and put these tools into action and improve them.

Under the productive forces of society [3], an inter-related set of personal and material factors of production are defined, singling out in their composition the following important elements:

- social (labor, heritage of cultural and economic development);
- natural (mineral and biological resources);
- technological (a combination of the means of production used and the methods of its organization).

Defining the essence of the productive forces [4], it is indicated that the productive forces are a system of factors of production that ensures the transformation of substances of nature. In accordance with the needs of people creates material and spiritual benefits and determines the growth of productivity of social labor. The productive forces are the core of the economic system, they constitute its material basis. This is the purposeful functioning of the productive forces, which man provides. Considering the place of man in this system, most authors note that it is a factor of production and its main productive force. Without man, the human factor, production is impossible, it revitalizes the material factors of production, drives them into motion. Man acts as the creator of most reproducible means of production, such as machinery, raw materials, tools, structures, buildings, and the like. Also, a person organizes the production of material goods and services in accordance with his needs, that is, ensures the purposeful functioning of the entire socio-economic system of the administrative territory.

To solve the problem of effective use of available resources at the intra-regional level, let's consider in general a similar system of models for developing and ensuring the implementation of the economic policy of state and local authorities. Modeling is chosen as a means of revealing the economic, political and social patterns of preventing negative trends, obtaining theoretical and practical knowledge about the problem and formulating practical conclusions on this basis. The following general notations are used in the system:

- $c$  – a sign of a centralized state government;
- $r$  – a sign of the regional administration;
- $l$  – a sign of the local administration;
- $e$  – a sign of entrepreneurship;
- $rp$  – a sign of the population of the region;
- $lp$  – a sign of the population of the locality;
- $R$  – set of subjects of regions;
- $r$  – the index of a particular region ( $r \in R$ ):

$$r=f(c, r, l, e, rp, lp);$$

$Mr$  – set of localities in the administrative territory of the  $r$ -th region;

$\mu$  – index of a specific locality:

$$\left( \mu \in \bigcup_{r \in R} Mr \right);$$

$B$  – set of kinds of business;

$\beta$  – type of business.

Graphically, the system of influence of the components of the productive forces on the economic result is

presented in general form in Fig. 1. It uses the following structural parameters:

- $a_{\beta}$  – the norm of the extracted natural resources per unit of enterprise production of the  $\beta$ -th species  $\beta \in B$ ;
  - $A_i$  – potential of non-reproducible natural resources of the territory.
- Dependent variables are represented by the following values:
- $Y$  – gross regional product;
  - $K$  – the basic production assets;
  - $L$  – labor resources of the administrative territory;
  - $I$  – investments in fixed assets;
  - $E$  – human capital;
  - $\kappa$  – rate of retirement of fixed assets;
  - $\lambda$  – conjuncture of the labor market;
  - $Yr$  – industrial production index;
  - $X_{\beta}$  – volume of output of enterprise of the  $\beta$ -th type  $\beta \in B$ ;
  - $X_{\beta r}$  – output of households of the  $\beta$ -th species  $\beta \in B$ ;  $r \in R$ ;
  - $Xr$  – output in the  $r$ -th region of production of farming of the  $\beta$ -th species  $r \in R$ ;
  - $\kappa r$  – volume of fixed assets of the  $r$ -th region  $r \in R$ ;
  - $Lr$  – the volume of labor resources in the economy of the  $r$ -th region  $r \in R$ ;
  - $Ir$  – investment in fixed assets of the economy of the  $r$ -th region  $r \in R$ ;
  - $Er$  – volume of gross investment in the training and retraining of the labor force of the  $r$ -th region  $r \in R$ ;
  - $\kappa r$  – the rate of retirement of fixed assets in the  $r$ -th region,  $r \in R$ ;
  - $\lambda r$  – the rate of retirement of labor in the  $r$ -th region,  $r \in R$ .

With all these designations taken into account, the general model looks like:

$$Y = \varphi(K, L, S, r \in R). \tag{1}$$

As an element that determines the number of economic entities, the number of business entities, farms and households is chosen. As an element that determines the technological means of production, the indicator of the

value of fixed assets is chosen. As an element characterizing natural resources, an indicator of the volumes of the extractive industry is chosen.

As the cognitive model (Fig. 1) shows, there is a close connection between the components of the productive forces and the state of the economic system of the administrative territory. The importance of the weighting of the mutual influence of the components of the economic system is calculated by regression analysis. For example, the raw material component affects construction as a kind of economic activity, in the amount of 0.3499, that is, it can be argued that the construction of almost 35 % depends on the raw materials base.

The next stage is the choice of the form of the function, adequately approximates a number of variables. As a result of the audit, the most appropriate function has the form:

$$Y = A \cdot K^{\alpha} \cdot L^{\beta} \cdot S^{\gamma}.$$

It should be noted that similar studies are conducted to solve the so-called «production function». They investigate the statistical dependence of the volume of production on the factors that make up it – the outlays of labor and capital [16].

The function of the effect of the productive forces corresponds to the general form of the Cobb-Douglas function and has in its composition such general components as the index of work in the form of the number of employed population and capital in the form of the value of fixed assets.

To estimate the influence of the components of the productive forces on the economic system of the administrative territory, the correlation coefficients are calculated (Table 1).

The defined values will not lie on the same straight line, because there is no close relationship between economic values, because other factors can influence other than labor, capital and resources in the GRP:

The fraction of the dispersion is explained as 0.93257936.

The regression coefficient is:  $R^2 = 0.96570149$ .

Other data on the quality of the model (Table 2).

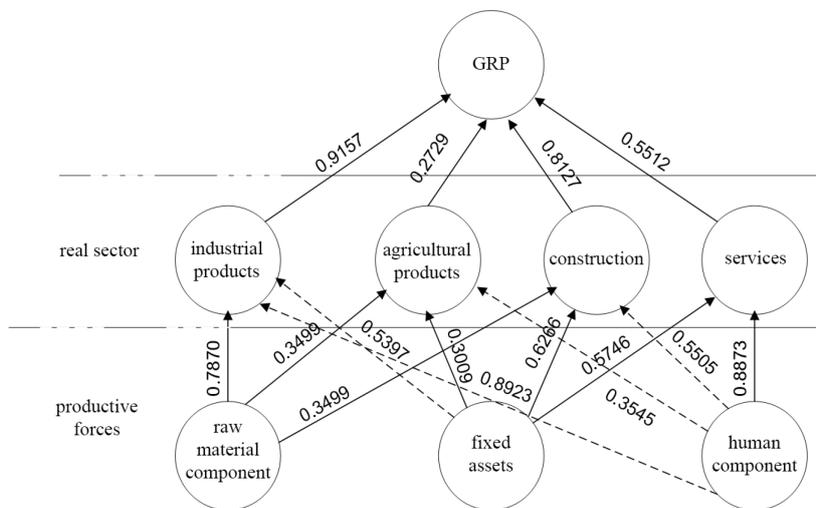


Fig. 1. The cognitive model for determining the influence of the components of the productive forces on the state of the economic system of the administrative territory [15]

**Table 1**

Correlation matrix of cause-effect relations

Index	Gross regional product (GRP)	Volume of industrial products	Volume of agricultural products	Construction volumes	Volume of sold services	Number of employees	Cost of fixed assets	Raw material component
GRP	1	0.9157	0.1816	0.9637	0.8243	0.8666	0.6501	0.5464
Volume of industrial products	0.9157	1	0.2729	0.8127	0.5512	0.8923	0.5397	0.7870
Amount of agricultural products	0.1816	0.2729	1	0.0828	-0.0107	0.3260	0.4848	0.5505
Construction volumes	0.9637	0.8127	0.0828	1	0.9007	0.7735	0.6266	0.8873
Volume of services sold	0.8243	0.5512	-0.0107	0.9007	1	0.5195	0.5746	0.3519
Number of employees	0.8666	0.8923	0.3260	0.7735	0.5195	1	0.5641	0.7420
Cost of fixed assets	0.6501	0.5397	0.4848	0.6266	0.5746	0.5641	1	0.6133
Investments in fixed assets	0.9338	0.7582	0.5505	0.8873	0.3519	0.7420	0.6133	1

**Table 2**

Model specifications

Index	Assessment	Standard error	<i>t</i> -attribute $cc=23$	<i>p</i> -level	The lower confidence limit	The upper confidence limit
a	0.191961	0.179305	1.07058	0.295463	-0.178959	0.562881
$\alpha$	0.168876	0.079696	2.11899	0.045102	0.004012	0.333740
$\beta$	1.614202	0.176894	9.12525	0.000000	1.248269	1.980135
$\gamma$	-0.080120	0.014298	-5.60339	0.000011	-0.109699	-0.050541

That is, the model is defined as:

$$Y=0.191961XK^{0.1168876}XL^{1.614202}XS^{-0.08012}.$$

Taking into account that the sum of the obtained exponents  $\alpha$ ,  $\beta$ ,  $\gamma$  is greater than one, it can be concluded that the function reflects the growing economic efficiency of the territory, which is quite logical.

It can be noted that such values characterize the positive overall trend for the economy of the regions of the country.

This situation is typical for administrative territories, within which there is a sufficiently high level of technological and innovative support.

## 7. SWOT analysis of research results

*Strengths.* Based on the results of improved methodological support, it became possible to organize monitoring of compliance with social justice. Control should be carried out at the level of territorial communities. The strength of the proposed approach is the possibility of determining the closeness of the cause-effect relationships between the elements of the economic system of the administrative territory. This, in turn, allows you to determine the state of the territory's economy.

*Weaknesses.* The need for additional information on the observance of social justice in the functioning of territorial communities, since this is impossible without the involvement of experts. Expert evaluation introduces elements of subjectivity and reduces the quality of the final results.

*Opportunities.* Constant monitoring of the state of the economic system for each of its components, which creates the conditions for maneuvering throughout the covered period of time.

*Threats.* In the absence of control over the state of the economic system of the administrative territory by local government bodies, they will not be able to ensure social stability and social justice with respect to the population of the territory.

## 8. Conclusions

1. It is shown that the reform of local self-government has significantly intensified over the past five years in the social and economic system of Ukraine, is implemented against the backdrop of euro-integration processes and the globalization of the economy. Proceeding from the perspective of solving the problem of reforming the economy of the regions of the country, the theoretical aspects of the worldview platform for reforming the territorial structure are summarized and analyzed in the paper. It is proved that the implementation of foreign experience should take into account the mental specifics of Ukrainian society and those applied theory developed by Russian scientists in the period of the formation of Ukrainian statehood.

2. Analysis of statistical indicators of social and economic development of the regions of Ukraine in the dynamics over the period of twenty-five years shows the existence of a link between economic and social components. This was confirmed by the constructed cognitive model of cause-effect relationships.

3. The generalization of world experience has made it possible to conclude that there are several approaches to the construction of the territorial structure of the state. Comparison of the theory and practice of the regional structure made it possible to draw a conclusion about the priority of the three-level construction, in which the territorial communities are the basic link, and made the

decisions to identify the theoretical models of the regional economic system.

4. The composition of the model of the economic system of the region is proposed to include raw materials and human components, as well as basic means of production. It is these components that completely characterize the state of the regional economic system.

5. The transfer of the main burden to the level of territorial communities requires constant monitoring of the observance of social justice, because dissatisfaction of the population with the existing social standards of life can lead to an increase in social tension in society. That is why the tightness of the links between economic and social indicators is calculated.

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