

*Проблемы макроэкономики*

**Демченко Карина Игоревна**

*Аспирантка по специальности:*

*«Экономика и управление национальным хозяйством»*

*Днепропетровский университет им. Альфреда Нобеля*

*г. Днепропетровск, Украина*

## **PROBLEMS OF PENSION FUND OF UKRAINE AND THE WAYS OF THEIR IMPROVEMENT**

Pension provision is one of the types of social security of non-working citizens of Ukraine. It is an important sphere of social governmental policy, because pension payments are the only source of income for many millions of people. The issue of fulfilling the Pension Fund of Ukraine is relevant because the costs that spent on social protection are increasing every year due to the complicated demographic situation in Ukraine and high level of shadow economy in the country.

According to the IMF Ukraine spend 18% of GDP on pensions, which is the highest figure in the world. Pension charges reach 35%, but the system still generates a 7% GDP deficit, and pensions remain low. Pension Fund deficit is a factor of instability in the financial system at the state level, so finding ways to reduce it is extremely important. The deficit of the Pension Fund of Ukraine in 2016 exceeded 80 billion of US dollars and was covered from the state budget. In Ukraine there is also very acute problem of pension burden: there is one pensioner per employee on average. In Europe, this figure equals almost two to one. In such circumstances it is clear that pension system in Ukraine is in crisis and needs to be improved [1, p.169].

The pension system, in which the younger generation holds over the older generation, is called solidarity pension system. In the USSR, it worked quite well because the birth rate in the country was high, the number of those who worked essentially dominated the number of pensioners. But today in Ukraine we have a critical situation. The nation is aging, the Pension Fund has debts to the state budget, and a three-level pension system exists only on the paper [2].

The sole use of solidarity pension provision creates an unbearable burden on the system, which is no longer able to perform its functions. In order to solve these problems, it is obligatory to have good functioning endowment and pension insurance.

There are several pension levels:

- Level 1 – Solidarity system;
- Level 2 – Mandatory accumulative system;
- Level 3 – Non-governmental voluntary retirement savings system.

The usage of accumulative system and combination of it with non-governmental voluntary retirement savings system will solve existing problems, namely to ensure high percentage of pension payments from solidarity system, to reduce disproportions in the size of pensions assigned in different years, and to reduce the tax burden and eliminate the debt of the Pension Fund.

Pension provision in different countries:

- US: solidarity system - 45%, accumulative system - 13%, non-governmental voluntary retirement savings system - 42%;
- Netherlands: solidarity system - 50%, %, accumulative system - 40%, non-governmental voluntary retirement savings system - 10%;
- Ukraine: solidarity system - 99.97%, non-governmental voluntary retirement savings system - 0.03%.

As you can see from the data given above Ukraine is the only country that uses solidarity system for 99, 97%. And this is what caused the need to make a reform in the pension system and to search for other sources of funding [3].

The most positive feature in the accumulative system is that these retirement premiums can be received in optimal variant for each person. It means that insured person can get the money every month or immediately receive the full amount of savings funds. Also in the case of death of the insured person the insurance premiums may be taken by descendants.

Introduction of accumulative system in Ukraine will help to diversify the sources of income of future pensioners and to provide a higher level of pensions.

The current condition of pension system was caused by both economic crisis and the features that were inherited from the times of the USSR. In favor of this fact, there is a big amount of similarities in terms of the pension system in Ukraine and Russia that can be seen. Those negative features are:

- Pension system is strongly dependent on the state budget,
- The lack of an accumulative component,
- Weak dependence of pension amount from the employment period, salary and labor merits;
- Unequal amount of pension among different groups of pensioners;
- Mismatch between the pension amount that a person receives and the total value of contributions to the pension system [4].

The development of the pension system in Ukraine is negatively affected also by the shadow economy. Employers are paying salary to their employees "in envelopes" to evade taxes, and therefore do not pay the corresponding contributions to social insurance funds. Hiding income has quite serious financial burden on the pension system and exacerbates the problem of financial stability and reform should be taken immediately. That is why it is necessary to implement the basic directions of improvement of pension, namely:

- 1) To increase wages and reduce the level of unemployment;
- 2) To increase the financial solvency of the pension system;
- 3) To redistribute rationally expenditure between the Pension Fund of Ukraine, the State budget and private social funds;

- 4) To improve the mechanism of indexation of pensions;
- 5) To improve basic and regulatory support pension legislation;
- 6) To introduce mandatory accumulative pension system that will ensure the integrity of the pension model in the country.

**Sources:**

1. P. Heine economic way of thinking. - M., 2009. S.449.
2. Ubaldo Villani-Lubell. Europe and the demographic decline.  
<http://inosmi.ru/europe/>
3. Soloviev R.I. Pension: alternative models and perspectives.  
<http://www.dmitrieva.org/>
4. Dmitrieva O. Petukhova N. Ushakov D. The transition from a solidarity pension system to a fully funded: results and performance criteria // Questions of economy. 2015. <http://www.dmitrieva.org/>