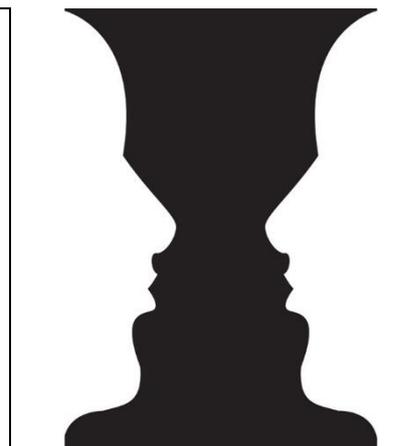


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The problems of socio-economic inequality and social justice in the modern Ukraine

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Abstract

The article analyzes the causes and consequences of socio-economic inequality growing in Ukraine as a result of market transformations of its economy after the dissolution of the Soviet Union. This issue in Ukraine, the second largest country in the post-Soviet space, is being investigated in the context of socio-economic changes in the world capitalism system in the 21st century. Particular attention is given to the study of public opinion on the observance of the principles of social justice and the distribution of public goods in modern Ukraine. For this purpose, the author uses the sociological monitoring data provided by the Institute of Sociology of the National Academy of Sciences of Ukraine (1994-2019), as well as the results of the sociological research of Research & Branding Group (2017-2020).

Keywords

Neoliberalism; socio-economic inequality; justice; Ukraine;

At the turn of the century, the problems of socio-economic inequality and social justice in the context of modern globalization took one of the most important places in sociological discourse. On the one hand, the adherents of globalization seek to convince the people that the expansion of global capitalism will lead to a decrease in inequality and the establishment of a more just world (Bhagwati 2004, Friedman 2007, Khanna 2008, Norberg 2003, Zakaria 2011 etc.). For example, the famous American sociologist, Thomas Friedman called the current “great era” of planetary changes Globalization 3.0, leading to the

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leveling of the rules of the game on the global competitive field and the formation of a “flat world” in the 21st century. According to him, residents of all corners of the named world are allegedly already enjoying its fruits. “Globalization 3.0 allows a huge mass of people to connect to this game, and all the colours of the human rainbow will participate in it” (Friedman 2007). However, such visions of globalization have nothing to do with reality, especially in light of the current mass protest movements of African Americans in the United States under the slogan “Black Lives Matter!”.

On the other hand, most theoretical and empirical sociological studies indicate a widening gap between rich and poor countries, as well as between the haves and have-nots in those countries (Atkinson 2015, Hacker, Pierson 2020, Milanovic 2018, Piketty 2015, Piketty 2016, Saez, Zucman 2019, Stiglitz 2015, Stiglitz 2020 etc.). Their authors call for an early resolution of the problems of socio-economic inequality and social justice in order to avoid global social upheavals. For, as one of the leading American macrosociologists and an expert in the theory of revolutions and disintegration of states, Jack Goldstone notes, “Some scholars recognizing that sheer poverty may produce popular revolts but not revolutions, have argued that it is relative deprivation that drives revolution — when inequality or class differences grow unbearable, or when people's expectations for further progress are dashed, they rise up in protest. But extreme inequality can just as easily lead to resignation and despair as to revolution” (Goldstone 2014). The development of events in accordance with the latter scenario may be more preferable for those in power who are primarily interested in preserving their ruling positions. But this does not lead to a narrowing of social polarization in capitalist countries and does not meet the interests of their peoples. Therefore, the identification of the causes and consequences of socio-economic inequality and social injustice, as well as the search for ways to resolve them, is an extremely topical scientific problem of significant academic and practical interest.

In the study of modern problems of socio-economic inequality and social justice in the context of globalization, the author used the systemic method and proceeded from the following conceptual positions:

- 1) the modern expansion of socio-economic inequality and social injustice is a natural consequence of the establishment of the ideology and practice of market fundamentalism in capitalist countries.
- 2) the exacerbation of the problems of inequality and injustice in the world of global capitalism is based on the strengthening of the contradictions between labour and capital and the weakening of the role of trade unions in the social protection of workers in the neoliberal economy.
- 3) the specificity of increasing property differentiation and fragmentation of the social structure in post-socialist countries is due to their displacement to the periphery of world development and the transformation of most of them into exporters of cheap labour and raw materials appendages of the countries of the “golden billion” of the planet.
- 4) the social polarization of the population of Ukraine is a consequence, first of all, of multiple deprivation and increased exploitation of working people, legal

arbitrariness of the state authorities and the dominance of oligarchs in the economic and political life of the country.

- 5) solving the problems of inequality and injustice in Ukraine requires the search for new alternative ways of socio-economic development.

Today it becomes obvious that the transition of the world economy from Keynesianism to neoliberalism at the turn of the 20th century has not led to the promised growth in the welfare of the entire population, but resulted in a redistribution of the results of economic growth in favour of capital. The UNCTAD Report notes that capital has gained in comparison with labour since the early 1980s, and profit shares have risen everywhere. As it turned out, in 4 out of 5 developing countries, the share of wages in manufacturing value added today is considerably below what it was in the 1970s and early 1980s. In general, in the North, there has been a remarkable upward convergence of profits among the major industrial countries. The rate of return on capital in the business sector of the G7 countries taken together rose from 12.5 per cent in the early 1980s to over 16 per cent in mid-1990s (UNCTAD, 1997, p.v). In addition, in the post-Fordism, the gap between productivity and a typical worker's compensation have increased dramatically since 1979. For example, in the United States from 1979 to 2018, net productivity grew by 69.6%, while the hourly pay of typical workers essentially stagnated – increasing only 11.6 percent over 39 years (after adjusting for inflation). This means that although people are working more productively than ever, the fruits of their labour go mostly to those at the top and to corporate profits, especially in recent years (The Productivity, 2019). In general, as a result of neoliberal transformations, the share of labour in the national income of the United States fell unprecedentedly sharply from 75% in 1980 to 60% in 2010, that is by as much as 15 percentage points over 30 years (Stiglitz, 2020, p.69).

The principles of non-intervention of the state in the regulation of economic processes and the removal of restrictions on the movement of capital, being integral to the neoliberal paradigm of growth and development, have brought about the expansion of socio-economic inequality throughout the world. This is what the researchers record. In particular, the World Inequality Report notes that starting the 1980s the rise in income inequality was observed in almost all regions of the world, with a difference only in its rate and scale (World Inequality Report, p.9).

Nowadays, extraordinary luxury coexists with desperate poverty and deprivation, and the concentration of wealth has reached an unprecedented level. According to the latest Oxfam data, the wealthiest 1% of people on the planet possess a fortune that is more than twice bigger than the total wealth of 6.9 billion people on the planet. Moreover, dollar billionaires (2,153 people in total) own more wealth than 4.6 billion people do all together. At the same time, almost half of the world's population (3.4 billion people) survive on less than \$5.50 a day, daily facing the challenge of providing for their families, the lack of access to health care and education (Oxfam, 2020, p.10).

The COVID-19 pandemic that has spread around the whole world in recent months aggravated many socio-economic problems. According to the UN, it has stimulated a human development crisis in three main directions: health, income, and education, virtually

cancelling the progress achieved by humanity in this area over the past decades (COVID-19 and Human Development, 2020, p.3). In these conditions, an enormous enrichment of the wealthiest people on the planet during the pandemic looks like a cynical impudence towards most people who have lost not only their income, but also a hope for a possible improvement in the situation in the foreseeable future. According to Forbes, within just two months of the pandemic, the world's top 25 super-wealthy men gained a total wealth of \$255 billion.²

Modern sociology records the presence in the global social space of strong concern and discontent of the population with the current state of affairs. Specifically, the global poll commissioned by the International Trade Union Confederation (ITUC, 2017 Global Poll) showed that the problem of increasing inequality between the wealthiest 1% and the rest of the population takes a leading position in the list of people's concerns of modern age. 74% of respondents expressed their concern about that (Global Poll 2017, p.17). Besides, most people appear to believe that the current economic system works in the interests of the wealthiest 1% of the population contrary to the interests of working people (Global Poll 2017, p.23).

According to another international survey (Oxfam, 2018), more than three-fourths of people find the existing gap between the rich and the poor in their countries too large. Two-thirds of respondents in this survey spoke in favour of the urgent need to address the problem of inequality, and three-fourths of people of respondents expressed their desire to live in a society with a lower level of inequality (Oxfam, 2018, p.9).

At the same time, many people are pessimistic about reducing inequality. A Pew Research Center poll in 34 countries found that a median of 65% of adults said they felt generally pessimistic about reducing the gap between the rich and the poor in their country. In 25 of the 34 countries, income inequality was the most common area of pessimism among respondents. In seven other countries, it was the second-most frequently named area of concern. In France, 86% of adults said they felt generally pessimistic about reducing the gap between the rich and the poor – the highest share across the countries surveyed. Around eight-in-ten or more also said this in Spain (84%), Greece (82%), and Germany (79%) (Devlin, Moncus, 2020). The evidence shows that inequality is not off the agenda and needs to be addressed.

Social consequences of structural market reform in Ukraine

Structural reforms of the socialist economy of Ukraine implemented after the dissolution of the Soviet Union have not led to any improvement in socio-economic status of Ukrainian people, but on the contrary, they caused the degradation and mass impoverishment of the population. Now the basic economic development indicator (GDP) of Ukraine is only 64% of the GDP of Soviet Ukraine in 1990 (GDP capita 2020). Ukraine has become the second-poorest country in Europe (Poorest Countries 2020), with very low wages and purchasing

² Ponciano J. 2020. The World's 25 Richest Billionaires Have Gained Nearly \$255 Billion In Just Two Months. [Online] <https://bit.ly/2JqNhae> [Accessed on May 23rd, 2020].

capacity. For instance, the today's average wage of Ukrainians is EUR330 (Basic indicators 2020). Among other social standards are the minimum living wage at the level of EUR64, the minimum wage of EUR144, and the minimum pension of EUR50 (State social standards 2020). Moreover, the purchasing capacity of Ukrainians is incomparably smaller than that of citizens of other European countries. On average, a resident of Ukraine spends EUR1,830 per year, while a resident of Europe has at their disposal EUR14,739 per year after taxes (GfK, 2019). The majority of the population of Ukraine lives in low-income conditions, spending resources on basic needs. For example, according to a survey by the Institute of Sociology³ – 2020, the average Ukrainian family spends half of the total income (47%) on food, and another third of the total family income (32%) on utility bills.

Privatization, as a key element of market reforms, carried out after the destruction of the USSR under the slogan of looking for a more efficient owner led to the seizure of Ukraine's economic resources by a group of nouveau riches. According to Doctor of Economics and Academician of the National Academy of Sciences of Ukraine, Oleg Belorus, as a result of privatization arbitrariness, 80% of the country's real economic potential ended up in the hands of 20 “clan families” (Bilorus, Pavlovsky, 2001). This led to the formation of clan-oligarchic capitalism and the alienation of society from the authorities and the state.

The Ukrainian transformation and privatization process resulted in the emergence of several business groups, who accumulated strong economic power by controlling key economic sectors (Kononczuk, Cenusa, Kakachia, 2017, p.1). The wealth of the 50 richest Ukrainians in 2010 was equivalent to 46% of Ukraine's GDP but due to the economic crisis this level dropped to around 18% of the GDP in 2016 (Kononczuk, Cenusa, Kakachia, 2017, p.5). To increase their influence on the political and social space, oligarchs actively use information resources. For instance, the major TV channels owned by four oligarchs (Kolomoysky, Firtash, Akhmetov and Pinchuk) control around 80% of the Ukrainian television market (Kononczuk, Cenusa, Kakachia, 2017, p.5).

In 2016 Ukraine took 5th place in the Economist's crony-capitalism index (The Economist, 2016). The Economist wrote, that “last 20 years have been a golden age for oligarchs”. From 2004 to 2014, the fortune of billionaires in the “oligarchic industries” increased by 385% (The Economist, 2016).

In the report “Crony capitalism in Ukraine: impact on economic outcomes”, World Bank experts note that the oligarchs in Ukraine, concentrating capital in their hands and dominating key sectors of the Ukrainian economy, have excessive influence on public policy. Which, as a result, leads to the fact that decisions that affect the allocation of public resources are not made in the public interest (Crony capitalism, 2018, p.2).

It is not surprising that in such conditions inequality in Ukraine has reached colossal proportions. According to the leading scientists of Ukraine, the difference in income

³ Detailed information about the survey methodology used by the Institute of Sociology of the National Academy of Sciences of Ukraine can be found here: *Ukrainian society 1992–2019*. (2019). Status and dynamics of changes. Sociological monitoring. Kyiv: Institute of Sociology of the National Academy of Sciences of Ukraine: 414.

between the richest and the poorest 10% of the population in Ukraine is 40 or more times (Inequality in Ukraine, 2012, p.13). As a matter of fact, that significantly exceeds the critical level (1:10), which can lead to antagonization of the social structure and to severe social disturbances with unpredictable consequences (Osipov, 2009, p.185).

The system established during the market reforms naturally does not enjoy support in the broad strata of the Ukrainian population. The majority of its inhabitants adheres to a more just social structure with a more even distribution of public goods, considering the current system to be unjust and acting in the interests of only the wealthy population strata. The problem of growing inequality in Ukraine (as well as in other countries) remains on top in the list of modern-age problems that most concern the inhabitants of our country. 70% of citizens expressed their concern about this problem⁴, the problem of possible job loss was ranked second (58%). Interference of western countries in the governance of Ukraine worried 54% of respondents, while the spread of radical nationalism ideas – 44% of respondents (omnibus of Research & Branding Group, 2017).

The overwhelming majority of the population (90%) believes that the gap between the rich and the poor in the country is too large (omnibus of Research&Branding Group, 2018). In Ukrainian society, there prevails disbelief and pessimism regarding possible changes in the situation in the future. As it turned out, half of the respondents (52%) are confident that socio-economic inequality in Ukraine will only grow in the coming years, and one third (30%) – that it will remain at the current level. Only 6% of those surveyed held to an opinion that inequality could decrease in the near future. The critical perception of the distribution mechanisms operating in the Ukrainian system has been fixed by sociologists over a long period of time. Particularly, in 2009, 81% of respondents considered Ukrainian society to be unfair (completely unfair or rather unfair) from a survey commissioned by the Institute of Sociology in 2009. And only 2% of the country's citizens found it fair (Ukrainian society, 2009, p.85).

Some improvements in the general characteristics of society in this context are mainly explained not by a real decrease in inequality and an increase in justice, but by short-term fluctuations in the mood and electoral expectations of the population during the periods of active political processes in the country. The results of a survey of the latter Institute, obtained in August 2019, can clearly illustrate it. As it was found out, the existing society in 2019 was considered unfair by half of the respondents (52%). At the same time, in view of the features of specific manifestations of inequality, a significantly higher level of critical attitude towards the then-existing Ukrainian society was revealed, comparable to the opinions expressed by respondents in 2009. In particular, the existing inequality on income was recognized as unfair by 89% of respondents, the distribution of wealth – by 87%, the system of formation of employees' salaries – by 83%. Furthermore, seven out of ten citizens of Ukraine (71%) expressed their confidence that the economic system in our

⁴ Detailed information about the Omnibus methodology used by Research & Branding Group can be found here: *Omnibus Marketing*. [Online] <https://bit.ly/3fU5pFf> [Accessed on June 10th, 2020].

country worked in the interests of rich people, and not the majority of the population (Ukrainian society, 2019, pp.488-489).

The study (survey commissioned by the Institute of Sociology, 2019) revealed that the assessment of justice in Ukrainian society depends on the age, region of residence, and income level of the respondents. The most critical attitude showed by older people 56+ (55%) and the least critical by young people aged 18-29 (44%). The most critical attitude was recorded in the south of the Ukraine (64%) and the least critical in the west of the country (45%). The share of those who found the society unjust was significantly higher among the respondents who were financially less independent (69%). These data highlight the existing lines of split of the Ukrainian society, namely, by region, age, and property. Most often, Ukrainians encounter unfair treatment of themselves in the labour area – when it comes to work, labour remuneration, employment process, promotion (survey by RUBICON, 2020)⁵.

Longstanding low-income and the lack of positive changes in the situation of the country contributed to the formation among Ukrainians not only of zero tolerance to inequality as such, but also to the public firm assurance in the low norms of the so-called fair inequality, which is when a person's higher income could be the result of their talent, work, and high qualifications. As revealed (survey by RUBICON, 2020), 61% of respondents believe that the inequality in the average income level around the country and the income of a manager or highly qualified specialist should not exceed a ratio of 1:7. At this point, the largest part of the respondents (37%), consider the least depth of inequality (1-3 times) to be acceptable, normal for the society. It is noteworthy that the largest part of adherents of an egalitarian approach to the formation of wages was found among young people aged 18-29. Recognition of such a very low depth of inequality as the maximum acceptable, testifies, on the one hand, to the perception of the existing levels of inequality as unfair, and, on the other, indicates the lack of understanding among people of the need to stimulate highly professional, socially important work at a higher level.

The process of establishing in the public consciousness the belief that it is not important to apply creative efforts (primarily, diligent work) to achieve well-being and success in the country is confirmed by the sociological data available (survey of the Institute of Sociology, 2019). In particular, the leader in the list of the most important components for achieving a high social status in Ukraine was “the presence of influential relatives” (42%). In addition, along with high intelligence, abilities (36%) and good health (34%), the five most important factors for achieving a high position in Ukrainian society included “origin from a family with a high social status” (33%) and “ability to sometimes evade the law” (31%) (Ukrainian society 2019: 448).

⁵ The results of the RUBICON sociological survey conducted by the sociological company Research & Branding Group in the period from June 19, 2020 to June 24, 2020. Detailed information about the survey methodology can be found here: *All-Ukrainian rolling survey "Rubicon"*. (2020). [Online] <http://rb.com.ua/blog/rubikon/> [Accessed on August 8th, 2020].

There is a strong demand for social justice in Ukrainian society. According to the 2019 survey commissioned by the Institute of Sociology, justice is an integral element of the triad of the most important components of life for people, along with material well-being and social security (Ukrainian society, 2019, p.442). The overwhelming majority of the country's residents consider the absence of significant social stratification and the existence of equal opportunities for everyone in society (78% and 82%, respectively) to be essential. Over the past decades, the share of respondents in Ukraine has significantly increased (from 57% in 2002 to 78% in 2018), for whom the absence of significant social stratification was an important personal value. The demand for social justice can also be traced through the prism of cultural preferences of the Ukrainian citizens. According to the 2019 survey commissioned by the Institute of Sociology, the victory of justice is one of the three main elements that most attract our country people in fictional films (Ukrainian society 2019: 490).

Conclusions

Structural market reforms have led to an increase in socio-economic inequality and mass impoverishment of the Ukrainian population. The society built in the post-Soviet period is perceived by the majority of the country's population as unjust, and the economic model works only in the interests of the wealthy strata of the population.

The intrinsic deterioration in living circumstances and the absence of changes for the better have contributed to the formation in the public consciousness of extremely low acceptable indicators of fair inequality norm. This speaks not only of the formation of a critical perception of inequality, as such among the population, but also the devaluation of the importance of diligent work and the application of creative efforts in the process of achieving success and high social status in Ukraine as well as the increasing importance of corruption components in achieving the designated goals.

In the meantime, further to sociological surveys performed, a powerful public demand for social justice was recorded. If ignored by the public authorities, it will not only strengthen the perception of injustice in the society by ordinary citizens, but also pose a threat to public peace and further development of Ukrainian society.

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