

**Financial and Banking Services Market**

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**INSTITUTIONAL PRINCIPLES
OF STATE PENSION INSURANCE
IN UKRAINE****Abstract**

Theoretical basis of institutional provision of the state pension insurance is investigated. Structure and content of formal institutions that regulate state pension insurance during the period of pension reform in Ukraine are analyzed. The basic informal institutions of the state pension insurance in our country are described. It was done a research on correspondence between informal institutions and official rules and regulations that determine the activity of the subjects of state pension insurance in Ukraine.

Key words:

State pension insurance, institutions of state pension insurance, pension reform, formal institutions of state pension insurance, informal institutions of the state pension insurance.

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Introduction

Functioning of country's financial system is influenced by a large number of factors. Researchers have long time back noticed that the behavior of economic agents quite often does not correspond to the pragmatic principles of rational activity. The complexity of the economic analysis of the financial activities of business entities consists in the fact that getting personal benefit is just one of many factors (not necessarily dominant), which determine the behavior of both individuals, domestic economy entities and enterprises, government, other participants of country's economic system. Taking into consideration indicated above, in order to clarify the laws of financial system functioning, the researchers drew their attention to the availability of different formal and informal rules that determine a particular activity of economic entities. Thus, study of behavior rules of economic entities, particularly the traditions, customs, official rules became the subject not only of publicistic publications, but also was as a theme of deep fundamental researches of economic and financial sciences. Confirmation of this is that American scientist Douglass North, who made significant contribution to the development of institutionalism in 1993, was awarded the Nobel Prize in economics. In recent years institutionalism has become one of the leading trends of economic theory.

Problems of institutional provision of the country's financial system, including of the state pension insurance, is the subject of active lively scientific debates of many famous scientists. Among foreign scientists who wrote in their works about the issue of institutions that regulate the financial system, we should mention N. Borysenko, H. Bortisa, V. Hlukhova, H. Nortisa, D. North, Yu. Olsevych, V. Roik, O. Rumiantseva, A. Khilmana. These questions were also examined by domestic scientists, including V. Heiets, O. P. Koval, I. O. Kurylo, E. M. Libanova, I. S. Marchenko, O. O. Moldovan, M. B. Rippa, L. H. Tkachenko, M. P. Shavaryna, S. I. Yurii and others. The main attention of above mentioned scientists was paid to the analysis of official rules and regulations that regulate the relationship between the participants of state pension insurance. However functioning of informal institutions of the state pension insurance, their relationship with the official rules and regulations during the pension reform remained unconsidered.

So, many important problems in the area of institutional provision of state pension insurance functioning need to be solved both in theoretical and practical part. Because of this, presented research is nowadays a topical and closely connected with the solution of important tasks of pension reform implementation in Ukraine. The purpose of investigation is to develop regulations of financial science related to institutions of state pension insurance.

Theoretical basis of institutional provision of state pension insurance

The pension system of each country with market economy provides close collaboration of various economic agents, the main of them are employees, employers and the state. Elucidating the peculiarities of structure of financial basis and their cooperation we have to take into consideration the existing institutional preconditions for such activity. The meaning of consideration of this important factor is increasing in the period of pension system reformation. So, at this time there is change not only in the internal structure of the pension provision system, but there is transformation of economic institutions that affect the financial activity of the entity of pension system. In these conditions the state pension insurance develops depending on the activity of the institutions which are formed in the country.

In the economic literature there are various explanations of the term «institutions.» So, one of the founders of institutionalism is T. Veblen, who defined economic institutions as a system of customary ways of thinking and generally accepted behavior [1, p. 635]. More distinct definition was given by G. Schmoller, namely a certain order of social life aimed at achieving certain goal, which provides a solid base for purposeful activity [2, p. 60]. We can find similar definition of institutions in classical writings of D. North, where it is defined as the rules of the game in a society or, more precisely, invented by narrow-minded people that guide human interaction to a specific channel [3, p. 11]. Analyzing the existing definitions, it should be noted that they interpret institutions as quite natural characteristics of society functioning, namely, regulated activity of certain community, hereby it is important to point out that the effect of institutions has purposeful character, therefore, it can be oriented to achieve a certain goal.

In modern researches of institutions entity very often it can be found complicated interpretation of this difficult economic category. Thus, Russian scientists Yu. Olsevych and V. Mazarchuk, consider institutions as combination of stable norms and rules, which determine human behavior and certain formal organizations (companies, institutions, state, parties, trade unions, etc.) [4, p. 51]. We consider that suggested by scientists definition does not contradict the employed in scientific investigations concept of «institutions», as the organization of certain subjects in certain associations certainly involve some stable rules of interaction.

British economist H. Bortis develops interpretation of Russian scientists and proves the expediency of distinguishing the two types of institutions. Institutions of the first type enter into operation when one, several or all individual communities, in order to achieve goals, constantly behave or are forced to behave equally (or very similar). This behavior is governed by individualistic institutions caused by customs and traditions that are formed historically or by legal

norms. The second type of institutions are social or public institutions, which occur when several members of the community or the community in general pursue some common goals that separately community members can not achieve. In the basis of social institutions there are various forms and rules of people cooperation in collaboration [2, p. 61–62]. So, in such a way the proposed approach emphasizes the importance of separation of norms and rules, which define the same activity of different quantity of individuals and those norms and rules that provide diversified coordinated activity of different entity.

So institutions include formal and informal norms that regulate relationships between business entities and provide availability of appropriate organizational structures in order to achieve certain goals. In the sphere of state pension insurance institutions acquire specific features which are determined by peculiarity of social and economic relations in this area. Taking this into consideration, we should indicate that the institutions of the state pension insurance primarily regulate relations between workers, employers and state for the formation and usage of specialized financial resources fund in order to provide people, who are insured with money in case of retirement age, disability or death. It should be indicated that important place acquire those institutions that provide not only activities of certain groups of entities of economic relations, but also those that regulate cooperative relations, in particular, within each group. Special role in this case belongs to those rules and regulations that provide the efficiency of civil society participation in the state pension insurance. Taking into consideration the large number of employees who take part in these economic relations, we should mention a very important role of institutions which secure the effective functioning of the employees organisations in which the high level of cooperation activity of different members is ensured in order to protect interests of entities of the state pension insurance.

Having analyzed institutional basis of state pension insurance under conditions of pension system reform it is important to consider other important properties of institutions:

1) as the state pension insurance is obligatory, so official norms which are correspondingly juridical arranged are dominated;

2) the influence of state pension institutions insurance is spreaded on all people in particular and the whole society in general;

3) as reform of pension system provides the establishment of new and changes of existent formal institutions, it is not always accompanied by the necessary transformation of informal institutions which produce the need to consider coordination between formal and informal institutions, as well as the time required to achieve it;

4) the effect of the institutions that govern relationships in the state pension insurance has both short and long-term consequences for social and economic development.

Understanding the specific nature of the institutions of the state pension insurance is intended to facilitate substantial clarification of the existing problems in this sphere. So, in our opinion, attention should be paid to the study of both formal and informal institutions, because they all have influence on the functioning of the pension system.

Structure and content of formal institutions of state pension insurance in Ukraine

Among all rules that determine the relationships between economic entities of state pension insurance the fundamental regulations are these which are based on regulatory legal acts. Certain provisions that regulate principles of state pension insurance organization in our country are provided in the Constitution of Ukraine. Article 46 of the Constitution introduces the important social norm according to which pensions, other social payments and benefits, which are main source of livelihood, have to provide a living standards not lower than the subsistence minimum established by the law [5, p. 46]. In this constitutionally fixed norm, in our opinion, it is shown the parliamentarians' position concerning determination of the role of pension insurance in our country, especially as one of the most important social guarantees. It should be noted that the Constitution of Ukraine also guarantees every citizen, including a pensioner, a number of other important economic rights, in particular the right to get necessary social services, to have property, etc. In addition, in case of adoption of new laws, Article 22 of the Main Law prohibits to narrow the content and scope of existing rights and freedoms [5, p. 22]. Thus, norms that define pension as one of the elements of population social defense system, form the basis of institutional environment of state pension insurance determined by the Constitution of Ukraine.

Fundamentals of legislation on compulsory state social insurance No. 16/98 BP of 14.01.1998 have great importance for the formation of the institutions of the state pension insurance [6]. Exactly in this document self-governing of insurance funds is emphasized. It is noted that the means of special-purpose funds are not included in the state budget of Ukraine. These norms have positive influence on the functioning of state pension insurance since they clearly stipulate proper use of paid insurance. Norms of legislative act, which stipulate participation in the management of all entities, has positive influence on the formation of effective institutions of state pension insurance. Thus, article 15 of this legislative act provides that management of insurance funds is on a par with the government and representatives of social insurance entities. The force of this norm is implemented in the manner of formation of Supervisory Board and this manner determines that Board is composed of an equal number of representatives of insured people, employers and the government. It should be noted that

the Supervisory Board is authorized to monitor the implementation of statutory tasks and proper use out of means of compulsory state social insurance by the relevant fund.

The basis of legislation on compulsory state social insurance also provide the necessity to define insurance period as such during which a person undergoes compulsory state social insurance and a person, employer pay for the insurance. This norm offers economic incentives for economic entities, among them for employees to take part in state pension insurance. Norm of Article 9 is also important for the formation of social insurance motives. In accordance with this norm, insurance period is calculated according to data contained in the system of personified registration of data about the insured people of State Register of compulsory state social insurance. This personified registration of insurance payments creates preconditions for increasing the transparency of state pension insurance and also for securing of dependence of insurance refunds from insurance payments.

At the end of 2010 important changes to above mentioned legislation act were introduced. These changes provide establishment from 1st January 2011 of unified social contribution as a consolidated insurance contribution for pension insurance, for insurance in case of temporary disability and expenses caused by funeral, for medical insurance, for insurance against accidents at work and occupational diseases that lead to disability, for unemployment insurance, which must be paid by insurers in order to ensure the rights of insured people to obtain insurance refunds (services) according to social insurance. Despite some facilitation of mandatory payments administration for businesses entity and state control authorities, this innovation, in our opinion, will have negative consequences for the development of state pension insurance. First of all it can be explained by the fact that accumulation of charges on compulsory social insurance in single payment, in the eyes of payers, reduces dependence between contribution payment for the state pension insurance and receiving of pension. Thus, introducing a single payment makes these mandatory payments more like taxes that undermines rather poor understanding of state pension insurance logic by employees.

The basic document, which establishes the rules of state pension insurance in our country, is the Law of Ukraine «On Compulsory State Pension Insurance» No. 1058 of 9th July 2003. The law determines principles, concepts and mechanisms of functioning of the system of state pension insurance, the order of appointment, recalculation and payment of pensions, provision of social services from means of the pension fund. Moreover, the law regulates the order of formation of the Accumulative Pension Fund and financing of expenditures for payment of insurance contracts of life pensions or one-time refund to insured people, members of their families and other people at the expense of this fund.

This act formed formal institutions of pension reform in our country. Functioning of multilevel pension system is stipulated exactly by this act. After adop-

tion of the law institutions were introduced. They stipulated opportunity of transformation of state pension insurance into two types: solidary system, which is based on principles of collective responsibilities and subsidization and realization of pension payment and provision of social services at the expense of means of the Pension Fund and accumulative system, which is based on principles of accumulation of funds of insured individuals in Accumulative Fund and fulfillment of expenses financing for payment of insurance contracts of life pensions and one-time refunds. Not less important for the development of state pension insurance was the fact of introducing a norm which stipulated availability of the third level of pension system – non-governmental pension support. It arranges preconditions for division of functions of pension insurance between the government and non-governmental economic entities and in such a way it optimizes targets of state pension insurance in solving those problems which are impossible to be solved with the help of nongovernmental pension support.

Norms of law No. 1058 are of significant importance in formation of institutional environment of state pension insurance. They stipulate that all important relations in this field are regulated exceptionally by legislative acts. This provides formation of consensus of parliamentary majority for adopting important resolutions in this field and, to some extent, protects from adopting of negative resolutions. In addition, this norm fixes necessity of sticking to the democratic procedures during discussion and confirmation of legislative acts; this extends possibilities of public influence on formation of institutions of state pension insurance and, accordingly, contributes to better protection of social interests.

By indicated law, necessary for market economy institutions of stimulation of economic entities to take part in state pension insurance were introduced. Indeed, in contains detailed mechanism of personified registration of payment on state pension insurance and usage of data of personified accounting in award of pension. In particular, it is provided that scale of pension depends on wage (income) for the whole period of pensionable service beginning from the 1st of July, 2000, that is since establishment of personified accounting. The norm, which allows optional participation in this kind of social insurance, motivates people to take part in state pension insurance. The article of law, according to which the scale of pension raises in case of postponing of the time of its fixing from 3% to 85,32%, will promote elongation of period of participation in state pension insurance.

Hereby, the law «On Compulsory State Pension Insurance» has formed conditions for reformation of pension system and determined in this process the role of state pension insurance. Determined by law role of every participant stipulate for separate entity a chain of financial rights and obligations. As one can see in table 1, parity participation of all entities of state pension insurance of administration authorities – authority of Pension Fund and its Supervisory Board is stipulated in legislative act. Taking into consideration that there is an absence of formal institutions, which provide distinct structuring of employers and insured

people, we think that efficiency of indicated norm mainly depends on availability of clear norms, which regulates mechanisms of nomination of such representatives of employers and insured people, as those, who really represent interests of these entities. At the present time such formal institutions are absent.

Table 1

Basic financial power of state pension insurance entities

Sphere of power	Insured persons	Employers	Government
<i>Financial Management</i>	Equal footing. The Board of the Pension Fund is composed of five representatives from the government, insured persons and employers. The Supervisory Board, which consists of 15 people, has an equal number of representatives from the government, insured persons and employers.		
<i>Financial liabilities of main participants</i>	Deductions from salary is 2% (4.5% for public servants) (part of the single social contribution).	Charge for the salary 33,2% (part of the single social contribution).	Appropriation from budget.
<i>Received benefits</i>	Pensions. Social service.	Shifting of social risks onto Social Insurance Fund. Stimulation of consumer demand.	Additional encouragement for the public servants and some other categories of workers. Social stability.

Source: Drawn up by authors.

The state pension insurance as an element of financial system has a considerable influence on distribution and re-distribution of value, which is created in the country. It is worth to indicate that the role of entities of state pension insurance in re-distributional process is determined by the official norms. Legislative acts provide for each participant financial obligations and also determine particular benefits. Thus, both employers and government are responsible for payment of contribution. The law of Ukraine «On Tax and Accounting of Single Payment for Compulsory State Social Insurance» No. 2464-VI of 8th July 2010 makes provision about compulsory insurance payment concerning different economic entities. The main financial loading concerning filling of pension fund lies on employ-

ers, who have to pay 33,2% from the payroll. Employees have considerably less financial obligations as they pay usually 2% (for government employee – 4,5%). Participation of the government in formation of resources of pension fund is caused by availability of numerous legislative acts, in which concessional terms of award of pensions for particular categories of people on account of budget appropriations are provided. Furthermore, government often has to search for financial resources in order to balance incomes and expenses of pension fund.

If to talk about profits, which entities of state pension insurance gain, we should say that direct profits are stipulated by official institutions only for insured people. These benefits they receive in the form of pension and in some cases in the form of social services. Other entities of this type of social insurance get faster indirect benefits. Thus, due to the participation in the state social insurance employers shift part of the social risks to the pension fund. Besides economic agents generally receive benefits from stimulating aggregate demand by increasing consumer needs of incapacitated people. For the country, the economic benefits are primarily in the possibility of further promotion of certain categories of workers, thus providing savings in spending on maintenance of the personnel.

Thus, institutional surroundings of pension insurance in the period of pension reform determines asymmetric participation of employers, insured persons and the government in the form of social insurance. The main load concerning formation of resources of pension fund is entrusted to the employers. While paying disproportionately smaller contributions insured people receive direct benefits from the basic pension insurance. This is mostly stipulated by the traditions of state pension provision under the conditions of command and administrative economy, and the difficult financial situation of a large number of employees. However, in our opinion, it is also evidence of incapability of civil society to play an active role in the state pension insurance. Low level of payments which are paid by insured people reduce their real influence on the management of finances of Pension Fund that even isn't clearly defined by formal institutions.

Functioning of social insurance of Ukraine hinders the development of state pension insurance on commercial basis. In addition to the above-mentioned legislative act, there are about 30 laws which regulate the amount of pensions for certain categories of workers, establish pension bonuses, additional payment, extensions, etc. [8, p. 22]. As seen from the table 2, up to the 1st January 2012 on the basis of the Law of Ukraine «On Obligatory State Pension Insurance» Pension Fund of Ukraine realized payments only for 12.6 million pensioners and made payments for 0.6 million of other pensioners on the basis of other legislative acts. It should be noted that, unlike the aforementioned law, other normative and legal acts regulating the mechanism of pension payment generally provide more favorable conditions for the population.

Table 2

Number of pensioners, who get their pension from Pension Fund of Ukraine on grounds of separate normative legal acts
(information is given on the 1st January)

Name of normative legal acts	2006	2008	2009	2010	2011	2012
«On Compulsory State Pension Insurance»	12 702 906	12 563 826	12 533 984	12 527 813	12 557 159	12 629 886
«On Pension Security»	430 309	264 373	238 918	222 074	207 812	195 827
«On Status and Social Protection of People who Suffered from Chernobyl Disaster»	67 394	78 706	75 903	75 946	75 119	85 270
«On Pension Security of Military Officers and People of Other Ranks of Home Affairs Authorities»	83 089	106 020	84 120	74 177	66 722	61 050
«On State Service»	71 839	89 175	96 580	104 484	112 909	121 867
«On Prosecuting Magistracy»	4 397	4 981	5 222	5 474	5 805	6 081
«On Status of People's Deputy of Ukraine»	636	824	893	935	988	1 027
«On Status of Judges»	9	1 002	1 016	1 035	1 140	1 394
«On Forensic Examination»	207	243	230	242	251	222
Customs Code	19	181	236	332	459	658
Statute of Assistant-Consultant of the Deputy	609	750	770	798	808	801
«On Scientific and technical activity»	79 111	84 294	79 862	76 514	75 035	74 061
«On State Support of Mass Media and Social Protection of Journalists»	3 042	3 618	3 801	3 959	4 125	4 217
«On Service in Local Self-Government Authorities»	5 600	10 494	12 796	15 640	18 984	22 136
«On National Bank of Ukraine»	325	645	765	889	1 038	1 233
«On Diplomatic Service»	1	1	1	1	0	0
«On Cabinet of Ukraine»	–	103	103	101	94	86
Total	13 449 493	13 209 236	13 135 200	13 110 414	13 128 448	13 205 816

Source: Drawn up on base of [9, p. 27].

Availability of formal institutions, that set different conditions for payment of pensions for different categories of people, has bad influence on the transparency of state pension insurance, as many deviations from the standard algorithm of pension calculating are often unclear and illogical for the society. That results in increasing the effective interaction problems between participators of pension insurance, because people lose a clear indication of rational behavior to ensure proper material conditions in incapacitated age. In our opinion, it makes worse the prospects of optimization the role of public pension funds in the period of reformation the pension system.

Success of functioning state pension insurance in the conditions of reformation the pension system largely depends on the availability of formal institutions that ensure its development according to the principles of social insurance in market democratic countries. In this context, the presence of formal institutions that provide parity of insured people in this process is of great importance. To the significant deficiencies of legislation that regulate state pension insurance belong:

- the complexity and obscurity of the pension system for the overwhelming majority of citizens;
- the imperfect development of norms regulating transparency and disclosure of socially important information about the formation and use of the budget of the pension fund;
- the absence of effective public control of state pension insurance.

Under such circumstances it is difficult to expect adequate perception by the population of the expediency of participation in the state pension insurance, which is one of the important conditions for successful reformation of the pension system of our country.

The question of functioning of the state pension insurance under the pension reform circumstances is the main theme of official documents regulating pension reform in Ukraine. At the end of 2009 the Cabinet of Ministers of Ukraine approved the order No. 1224-p «On Approval of the Concept of Further Pension Reform». Analysis of this document allows to conclude that it reflects primarily the government's position, which is only one of the three main entities of the state pension insurance. It is confirmed by a number of norms that stipulate strengthening of fiscal pressure on other participant of the state pension insurance and at the same time by the lack of precision and declarative nature of regulations which stipulate the participation of the insured persons and employers in it.

Thus, in the above mentioned normative legal act the list of measures aimed at raising funds to pension fund is determined in details. The most important of these measures are: strengthening of payment discipline concerning payment for the insurance; expanding of base of charging an insurance, including expanding through the legalization of salary and raising of its level, reducing of underemploy-

ment and unemployment. Herewith, measures aimed at increasing of fairness and efficiency of public pension insurance on the basis acceptable for the market economy, are rather declarative. Although it is defined in the concept that there is expediency for increasing transparency of finance management of the pension fund and the necessity to intensify public participation in this process, it does not provide specific mechanisms for implementation of these measures.

Thus, the formal institutions that regulate the functioning of public pension insurance in the conditions of pension system reformation, do not arrange sufficient objective precondition to secure the effective implementation of stipulated functions. Systemic defects of valid normative legal acts consist primarily in inability to secure equal participation in the public pension insurance of all groups of its participants, and also in the lack of effective norms that secure transparency and publicity of the formation and use of pension fund resources.

Characteristic of informal institutions of state pension insurance

An integral part of the institutions that affect the development of the state pension is informal institutions. Despite the fact that they generally do not play a leading role in the state pension insurance, they still significantly affect its performance. First of all, it should be noted that the behavior of insured people and employers are not always regulated by rules established in the country. The organization of relationships among groups of insured people and among employers is also often not legally defined. Moreover, in our country quite often there is a violation of any statutory rules of conduct. Taking this into consideration, we share the opinion of Professor O. Ye. Rumiantseva, regarding the fact that many negative phenomena cannot be resolved by law [10, p. 3]. Significance of the study of informal institutions is growing in our country, because the level of shadowing the national economy according to various estimates is about 50%. Under such circumstances, it is not only possible to provide full regulation of relationships by formal institutions, but it is also difficult even to get all necessary information about the financial state of the main entities of the economic system.

Basic institution that determines the behavior of people concerning the state pension insurance is the identification of the responsible entity of the economic system for the welfare of households. Although in recent years there have been done radical changes in the domestic economy, which included the formation of market principles of management, level of personal responsibility of the population for their own welfare is very low. Dominance of public opinion that the responsibility for the ensuring of their welfare should be mainly on the government, shows the fact of undevelopment of institutions that promote active economic behavior of people.

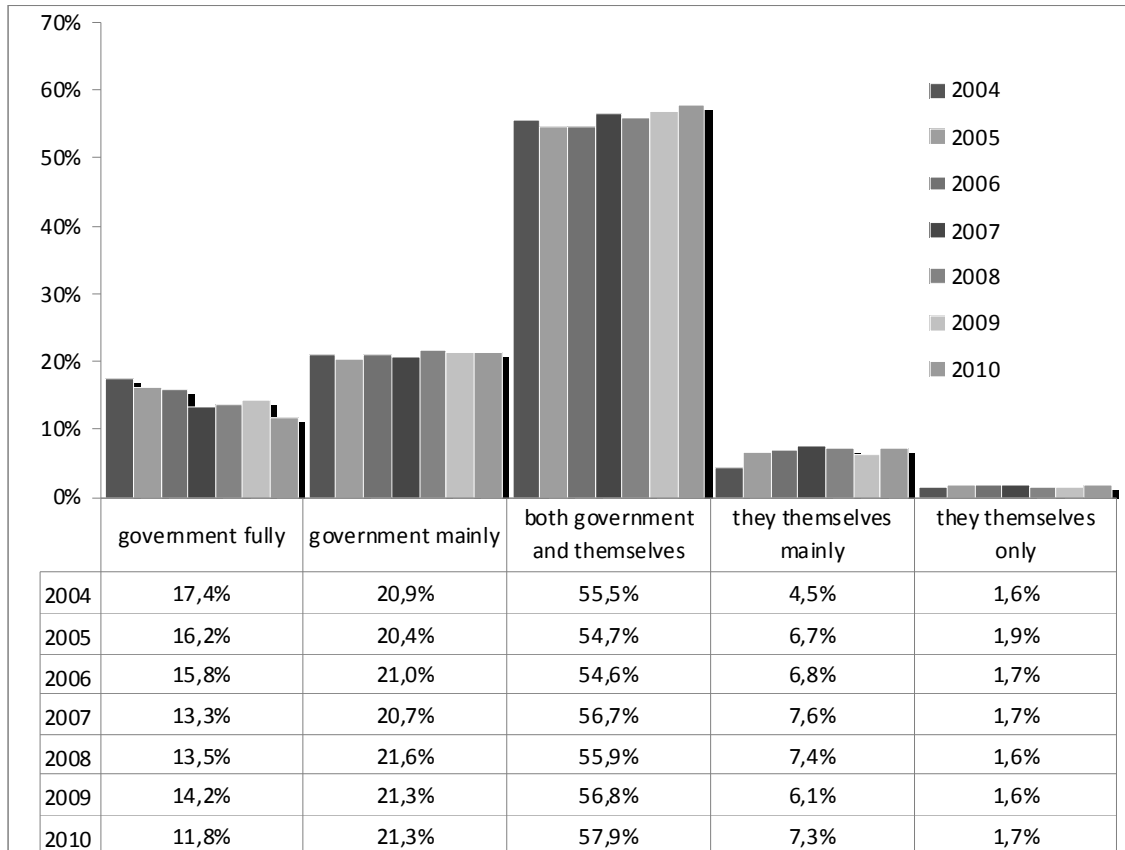
According to the results of survey of domestic economy entities which annually carried out by the State Statistics Service of Ukraine, in 2010 only 1.7% of domestic economy entities believed that only they should be responsible for the personal welfare and another 7.3% thought that predominantly they should be responsible (fig. 1). Thus, 11.8% of domestic economy entities claimed that the government must be fully responsible for their welfare and another 21.3% – thought that government predominantly. Taking into consideration that society tends to shift the responsibility for ensuring their own welfare onto the government, prospects of rational behavior of people in state pension insurance are becoming worse. Results of interview carried out at the end of 2010 prove correctness of made conclusion. For the question who should be responsible for providing of old age people only 8% of respondents said that they themselves, other 53% believed that both the government and they themselves, but 36% are inclined to consider it should be done by the government [11, p. 13]. Under these conditions it is difficult to expect a successful implementation of normative legal act that stipulate increasing of the responsibility of the insured people for ensuring of their own welfare.

High level of assigning the government the responsibility concerning pension provision is observed under the condition of low level of trust to the government. This proves that the rules of behavior, that correspond to market principles, are not formed in the society. In accordance with the established rules of conduct, the vast majority of population (76%) expects that the state pension will be the main source of income after retirement. And at the same time 41% of citizens of our country say they will not have proper income after retirement, and another 29% think that most likely they will not have such income, and only 5% hope to have an appropriate level of income. Thus, we can say that in our country there are no effective institutions that would encourage people to provide themselves effectively with material resources during incapacitated period. It is clear that this situation is mainly caused by the generally difficult financial situation of great part of the working population. However, the existence of the problem that people keep away from the task of providing themselves with material resources at appropriate level creates significant obstacles for the development of state pension insurance in Ukraine.

Solving the problem of their own welfare during the period of incapacitated age, individuals are able to make a positive impact on economic processes in the country. Some economists even believe that domestic economy entities are a major factor in the financial system of the country, because actions and behavior determine the progress and results of the economic process [13, p. 60]. The presence of developed traditions of participation of population in pension insurance can not only have a positive impact on the welfare of domestic economy entities, but also can have a positive impact on the country's economy. It should be noted that in the Ukrainian society there were not sufficient preconditions for the formation of such informal institutions.

Figure 1

Distribution of domestic economy entities depending on how they determine responsibility for their own welfare



Source: Drawn up on base of [12].

Adoption of the legislative norms, that regulate state pension insurance, at the end of 90s of nineteenth century – at the beginning of the twentieth century, actually introduced this type of social insurance in accordance with the principles of market economy. So, it is not surprising that in our country in such a short period of time informal institutions that define rational behavior of people concerning effective pension provision were not formed. This complicates the implementation of legislation that provide pension system reformation and development of state pension insurance under the conditions of multilevel pension system. According to a survey carried out in 2010, only 2% consider nongovernmental pension provision as attractive, but only 20% of respondents aware of this type of saving and investment of resources.

Described problems of informal institutions relate to the institutions of the first type, which start acting when one, several or all individuals of community in order to achieve the goal always behave or forced to behave in the same way (or in a very similar way). However, not smaller problems are also observed in the institutional provision of effective organization of state insurance entities in active social organization. Functions of organization of insured people in formal association in democratic countries are taken by trade unions. Low public activity of the population in our country, the low level of mutual trust, a high level of dependence on employers, lack of appropriate positive traditions weaken significantly the trade union movement, change official labor organizations to be ephemeral and marionette in the hands of employers or government. Taking this into consideration, the implementation of even these limited rights which are provided for the insured people by formal institutions depends on the ability of people to be organized into active groups of influence.

Conclusions

Thus, in the research it was ascertained that there is a discrepancy between formal and informal institutions. Although the official norms and regulations determine the outlook for state pension insurance development within a multi-level system, existing informal institutions that determine the behavior of individuals, show their tendency to shift responsibility for their financial situation onto the government. This increases the load on state social insurance in providing social welfare. The remaining of this problem complicates outlook for the development of state pension insurance and makes worse the effectiveness of functions carried out by them, especially the functions of labour force costs payment. So, found discrepancy between formal and informal institutions of the state pension insurance caused mostly by slow development of the latter and predetermines the necessity to consider the time factor for argumentation of certain areas of the state pension insurance improving.

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