

THE RATIO BETWEEN THE DISTRIBUTIVE AND THE ACCUMULATIVE COMPONENTS OF THE STATE PENSION SYSTEM

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An extended abstract of the paper on the subject of:

Problem setting. Problems of pensions have recently been actualized in most countries with no exception for Ukraine. Global demographic changes necessitated finding new ways to develop a distribution and accumulation forms of pension systems.

Recent research and publications analysis. Theoretical and applied principles of social issues in general and the pension in particular have been explored in the works of local scientists: E. Libanova, B. Nadtochiy, V. Novykov, O. Paliy, M. Rippa, V. Skurativskiy, P. Shevchuko, V. Yatsenko, O. Yaremka and foreign scientists: N. Volhin, M. Viner, V. Royik, Dzh. Stihlits, R. Holtsman, E. Fultts and others. Despite the wide range of the theoretical and practical research in this sphere the definition of scientifically grounded ratio between accumulative and distributive components of the public pension system remains topical issue.

The paper objective is an analysis of international experience of pension reforms and grounding approaches to determine the optimum ratio between accumulative and distributive components of the public pension system in Ukraine.

The paper main body. In today's world there are two conceptual approaches, or

philosophies, of pension system organization.

The first approach is based on the duty of every citizen, along with personal responsibility, to participate in collective insurance of personal risks (unemployment, old age, sickness, invalidity) based on solidarity principle.

According to another approach, each person is responsible for creating conditions for his life. This philosophy involves the replacement of the state pension system by compulsory private sector savings, based on the principle of individual funding pensions by employee by the share of wages and investment income.

It is proved that both types of pension system will eventually encounter a problem generated by demographic changes, and many of the declared benefits of personal savings can be realized within the distributive system. Adjustments to contribution rates in the distribution fund can give the same results as the increase in mandatory savings accumulation fund. In addition, growth within both systems can be achieved only if someone sacrifices current consumption.

As a result, the choice of a balanced relationship between the distributive and the accumulative elements of the system, and therefore acceptable definition of generosity

distribution system should reflect the political culture of the country and in particular the acceptability of different levels of taxation and mandatory contributions.

Conclusions of the research and prospects for further surveys. Taking into account the international experience of pension reform, we can conclude that the pension system

should be different for different generations.

This approach will allow mild rebuilding outdated social institution of state pensions during two generations. These changes should be started now to make them painless to society. It is important that citizens must be honestly declared what type of pension system will expect each generation.