

## **Sections 2. Economic Theory**

### **MODELS OF SOCIALLY-ORIENTED ECONOMIES OF STATES AND THEIR CHARACTERISTICS**

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Today developed countries are socially oriented states. It means their primary orientation on the social and economic rights providing, protection by the state. The social policy is the main factor of social rights implementation. It includes the social security and social protection, social rights and guarantees which are established by the laws of the state, social standards, which are formed on the traditions of society.

The theory of the welfare state appeared as a result of scientific researches in different areas of political and economic investigations, which considered the phenomenon of social policy in the context of the society development in the conditions of scientific and technological progress. The evolution of ideas about the relationship between state and the individual in terms of a government's social obligations to the individual and society is clearly observed in the history of this doctrine for two centuries [4, 38].

Different socially-oriented states have various models of social policy, so there is no a single model of the welfare state. During the past quarter of the previous century, scientists have concluded that there are some models (welfare regimes), which are different according to benefits and justification of the right to receive them, the funding and organization. An important factor that distinguishes the social state models, is the structure and configuration, the combination of the most important institutions of social protection - insurance, state social assistance, public welfare,

health care and education, financial resources , and the dominant role of one of the social institutions [3 , 618 ].

The most famous, from the point of ideological factors of influence in the formation of welfare state, is the classification, which was developed by a leading sociologist Gosta Esping-Andersen. He thought that the features of historical and political development in the industrially developed economies have caused the formation of three groups of welfare states - liberal, conservative and social democratic. These groups are differs by the following criteria: changes of stratification, the level of expansion of social rights, public-private organization of social security.

Formation of the liberal model, which is typical for Anglo-Saxon countries, such as UK, USA, Canada, Australia, took place in the conditions of the priority of private ownership, the prevalence of a market economy and under the influence of liberal work ethic. It is based on the social support of vulnerable people, which is realized through the institute of social assistance, government measures include the installation of a low single tariff rates in pension insurance, distribution of wealth is close to the market practice [2, 27].

Insignificant transfer payments obtained from taxes are used for giving assistance and subsidies to certain groups of the people. The financial assistance has a targeted focus. It is given only on the base of inspection of its necessity. This model is consistent with its main purpose in the conditions of economic stability and growth. But during the recession and forced layoffs, which are accompanied by a reduction in social programs, a lot of social groups may turn out in a vulnerable position [1, 74].

Conservative model is typical for countries which have socially oriented economy - Austria, Germany, Switzerland. In the base of the model is the mechanism of the social insurance. Budgetary allocations for social events are about payroll taxes of employees and employers, the main channels of redistribution are in the hands of the state or under its control.

The size of social assistance is in a proportional to labour income and, consequently, the size of the recoument for insurance premiums. In this model there is a close connection between the level of the social protection and the duration of professional activity; there are labor protection activities; there is a combination of high economic efficiency with the developed system of social protection, which is based on the freedom of consumption. The balance between the market and social objectives is typical for this model. The model provides a low stratification, the state intervention in the form of regulation of markets and direct financial support providing.

Social democratic model assumes the leading role of the state in protecting the people. States belonging to the Social Democratic model, developed a system of income redistribution that reduces stratification of the society by income, and therefore there is the alignment of levels of incomes. The total employment - providing the maximize employment, unemployment prevention, ensuring the right to basic social guarantees for a wide range of social situations, providing a significant level of well-being for all members of society are the priorities of social policy in the model. Social democratic model is widely used in the Nordic countries like Sweden, Norway, Finland, Denmark, The Netherlands. This model predicts the prevalence of social purposes under the requirements of the market and it is the most perfect demonstration of the welfare state. The basis for the social sphere financing in the social-democratic model is the developed public sector, strengthening of which contributes the high level of taxation.

Gosta Esping-Andersen's classification was refining during the past two decades. Some authors think that it is necessary to identify Latin type of welfare state in which the level of responsibility for persons' fortune is low and necessary assistance for people is based on the principles of morality. Other scientists believe that it is necessary to distinguish the British liberal collectivist type of welfare state, which is a combination of socialist and liberal types. Some authors consider only two models of social policy - liberal and social-democratic, assuming a conservative as a kind of social democratic type of welfare state.

It should be mentioned that recently singled out one type of social model states in the documents of the European Commission - South-European, which is typical for countries such as Italy, Spain, Greece, Portugal. In these countries, social protection systems have been created or improved only in the last time. This model is in transition and has no clear organization. The level of social protection, which is typical for this model, is relatively low, and the task of social protection is often regarded as the care of relatives and a family. In the South European model Western researchers define asymmetric structure of social expenditures.

Thus, each of the above models does not exist in pure form in practice, because it takes into account the national peculiarities of individual countries. You can usually observe a combination of elements of liberal, conservative, social democratic and southern European models with the apparent predominance of characteristics of one of them.

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