ECONOMICS
& Sociology

Irina Verkhovod
PhD, Assoc. Prof. (docent)
Department of Economy
Bohdan Khmelnitsky State
Pedagogical University of Melitopol,
Ukraine
E-mail: ekonom@mdpu.org.ua

Olena Danilowa
PhD
Department of Economy
Bohdan Khmelnitsky State
Pedagogical University of Melitopol,
Ukraine
E-mail: ekonom@mdpu.org.ua

Vladimir Petrenko
PhD, Assoc. Prof. (docent)
Department of Economy
Bohdan Khmelnitsky State
Pedagogical University of Melitopol,
Ukraine
E-mail: petrenko_vl@ukr.net

SOCIALIZATION OF INCOME DISTRIBUTION: THE CONTRADICTIONS OF THE PRESENT STAGE

ABSTRACT. The article describes the relationship between the additional costs allocated by society to the educational sphere and the dynamics of labor productivity and the distribution of the factor incomes. The article identifies institutional constraints to economic growth and social return on investment in education, and the social conditions that enhance the contribution of education to the welfare of society.

1. Introduction and review of literature

Identifying a compromise between the positive and negative results of the socialization of distribution relations is an important part of the selection of state economic policy. The possible negative consequences by the neoclassical tradition (see, e.g., Joseph Stiglitz, Kenneth Arrow and others) include the increase of tax burden on business, the complications of economically evaluating the results of economic activity, the expansion of government bureaucracy and the distortion of market competition. The positive consequences include the results of a more equitable distribution of income, such as an increase in social welfare due to the falling marginal utility of income and the aftermath of improving resource implications for the social sphere; increasing access to such benefits as health and education

services; and the creation of economic backgrounds for their quality growth (for example, Coleman, 1990; Erhard, 1956 and Ukrainian scientists Galushka, 2007; Yakubenko, 2007; Zaycev, 2002).

Many researchers have noted that the acuteness of the contradictions "equality – effectiveness" (which has traditionally been considered in the neoclassical tradition) varies considerably in countries with different institutional structure, with different evolution ways of social sphere resource support and different propensity of business to take part in the financing of social sector development (for example Bhattacharya, A., M. Romani, and N. Stern, 2012, Grabel, I., 2013, and Ukrainian scientists J.K. Zaycev, 2012, V.D. Yakubenko, 2013). Accordingly, it depends on the propensity of business to consider participation in the financing of the social sphere as an important source of competitive advantage, not only as onerous tax burden changing the efficiency of resources allocated to the social sector (e.g., Knack & Keefer, 1995; Zaitsev, 2002).

So, where the mechanisms of social funding, are organically built into the system of economic motives and incentives (Schumpeter called them "unsurpassed in strength and simplicity" (J. A. Schumpeter, 1995), there are the expansion of the absolute amount and the share of social services in the social product become less weighty factor impeding the development of business and increase production efficiency. On the contrary, the growth of the investment that has social orientation, creates qualitatively new conditions for the increase in the global competitiveness of national production – increase in education level, motivation and health, and expansion of trust, social responsibility and constructive compromise as the basis of market contracting.

Accordingly, we consider the socialization of distribution relationships of modern society, first as the formation of qualitatively new synthesis forms of state and spontaneous distribution of resource and income. These forms have to make such a model of economic behaviour, that becomes standard and while spreading will solve the social problems of society with minimal loss of economic efficiency.

Experience show (G. Yastrebov, A. Krasilova, E. Cherepanova, 2013) that in countries with a high degree of nationalization of the social sphere (especially in the case of a state monopoly on health and education services) producers are less likely to respond to the current needs of society and, in particular, the demands of business structures. In such countries bureaucratic structures are extending and the purpose of their activities are formulated in form but not in content (World Bank, 1993). Society is faced with the phenomenon of simultaneous execution of all the targets of government activity and the deterioration of the important parameters of life for the prevailing population – a classic example of this phenomenon is the modern Ukraine.

If the social sphere becomes an attractive object for business financing and if differentiation of wages according to skill level creates strong incentives for investment in education, then the social sphere becomes the leading source of development and growth of economic efficiency, rather than a "social burden" for the economy. This is due to reduction of social sphere's dependence from the government and the inclusion of mechanisms for rational differentiation of funding social institutions. The basis of such differentiation is the economic evaluation of their work by consumers of their products and services.

Thus, under similar scales of funding of the social sphere, economic results may differ in countries with different structures of the institutions that link business with the subjects of social services (for example, education and health care organizations). At the same time, countries that spend very different amounts on the social sphere can receive approximately identical their contribution to economic growth.

Thus, the basic methodological principles of this work resonate with studies in the assessment of human development indices. Where the cross-country differentiation of

education performance indicators (labour productivity, the rate of growth and the share of wages in GDP) can not be explained by differences in resource provision of educational institutions, there we see empirical confirmation of influence which have institutional differences (Human Development Report, 2010).

Accordingly, grouping the countries in terms of such "indecomposable residue", highlighting the essential features of the interaction between education, business and society, we approach to understanding the reasons for different outputs from comparable investments to education in the different countries. And we are able to identify those social conditions that contribute to the increasing of economic benefits from investments in education and social sector as a whole. We believe erroneous opinion that the determination of such rules can be the basis of their "universality" – their effectiveness depends on the complex structure of the entire national institutions. We tend to assume a dangerous fallacy the assumption of the possibility of "copying" the rules and regulations that ensured the success of some countries for the reform of the social sphere in other economic systems. However, understanding the limitations that institutions impose on the possibility of obtaining economic benefits of investment in education can be an important prerequisite for the formation of state policy in the sphere of funding social sphere.

In this article we will try to solve three interrelated tasks.

First, empirically test the hypothesis that additional investments in the education affects the labour productivity and income distribution according to characteristics of the institutions, governing the relationship between educational sphere and society.

Second, justify the thesis that in the countries with economies in transformation (CIS) is particularly high likelihood that additional investments in education would not provide a substantial increase productivity and not improve the distribution of income, due to the specifics of national institutions.

Third, to identify some directions for reforming principles of the education industry in Ukraine.

2. Analysis of the mechanisms and results of socialization access to education in the EU-15

2.1. Principles of interpretation of statistical indicators

The correct use of empirical data to characterize the involvement of business in resource provision for the social sphere should, in our opinion, consider that the overall indicators of the scale of funding integrates two qualitatively different components.

The first component is participation that can be defined as mandatory, independent of the capital owner's choice. That is, those forms of social burden on businesses that are predetermined by law, for example, mandatory employer contributions to social insurance and pension undertaken for the benefit of employees.

The second component is voluntary participation in the financing of the social sector (which is not bound by law or provided otherwise, and perceived as a condition of its business activities defined from the outside).

Accordingly, to understand the reasons behind a certain return on investment in the social sector, it is important to distinguish the dynamics of the private (voluntary for businesses) and public (mandatory) costs. Although indicators of private expenditure on the social sphere and indicators of public expenditure should not be always interpreted unambiguously, without a clear understanding of the motives of investors. It is significant on our opinion that two groups of motives determine the volume of resources allocated by society, for the social sphere.

The first group of motives, is connected with the pursuit of profit maximization, respectively, some of the dynamics of the financing of the social sphere can be explained on the basis of models of maximizing behaviour. For example, to explain private expenditure on educational services, uses Mincer equation (Mincer, 1975), which has been transformed for solutions macroeconomic problems.

However, the second group of motives provides qualitatively different motivations, which opens a lot more flexibility to increasing the amount of resources allocated for the social sphere, without incurring losses for economic growth. That such motives as penchant for social partnership and socially responsible business behaviour. And unconstrained self-restraint of private economic interests in favour of solving social problems. A classic example of the ambiguous relationship between the amount of resources allocated by society to the solution of social problems, and social and economic impact of their use, can be submitted by complicated processes of change in the volume and structure of educational costs, discussed in connection with changes in labor productivity and economic growth. The rife vision of socialization of distribution involves the growing importance of investment in education as a factor of the distribution of factor incomes and making investors in human capital the main beneficiaries of the modern economy (see, for example, T. Stewart, 1997 and P. Drucker, 1993).

Many empirical studies in recent years reported a high differentiation of the effects of rising public investment in education in different countries (Lukiynova, 2007, Kapelyushnikov, 2008).

We consider it possible to identify two features of the current phase of investment in human capital as a cause of the distribution of primary factor income.

The first such feature due to the fact, that the scale of total expenditure on education summarize the volumes of investments in various sectors of the education sector. This is, first, primary education, for which the priority task of investment in developing countries is to increase access, and in developed countries – to improve the quality. Second, the secondary and tertiary education. These areas differ significantly higher diversity of funding mechanisms and regulation of access. This is associated with a wide variety of priorities and requirements to the results of these sectors of educational sphere in the various countries.

In developing countries, there is a strong correlation between the amount of resources that society allocates to a public education and economic growth. Investment in vocational education (due to very small volumes) influence over the distribution of income than the growth rate of labor productivity.

For developed countries, additional costs to the public education are of very low yield (valuated by the increases in productivity), and the increment of the investment in secondary and tertiary education has a more pronounced effect as a factor multiplying the public welfare rather than as a factor differentiating factor income (Barro & Lee, 2001; World Bank, 2005).

The second feature of the present stage of investment in education is that investments in education, accumulated in previous periods are an important factor of the effectiveness of such investments made now (Psacharopoulos G., Patrinos H.A., 2004).

Accordingly, the formed situation where the growing importance of the education level of the population and the scale of resources devoted to education as a factor of the proportions of the income distribution, causes a qualitatively different trend than the last third of the twentieth century. Previously, the growing importance of education among the distribution factors played a role in eliminating restrictions and leveling distribution ratios, both within countries and between countries. In recent years, the growing importance of differences in resource provision of the education sphere, acts already as a factor of the growth of inequality, both between countries and within countries.

Investment in education in developed countries now gives a better return than in developing countries, although in the second half of the twentieth century the situation was

the opposite – the greatest social impact (in terms of growth of GDP and income equalization) was given by investment in public education in developing countries (Psacharopoulos, 1984).

2.2. Formation and analysis of statistical data base

In many respects, the characteristics of a modern connection between the scale of investment in human capital and the distribution of the proportions of factor income can be traced even in the results of the primary analysis of available statistics. In the first decade of the twenty first century, countries in which the post-industrial trends were most pronounced were also different compared to the others in the costs for educational institutions, such as the absolute size of such costs (measured in dollars, given to the purchasing power parity), and the share of such expenditure in the total volume of the social product (GDP). The data on the costs of education in the EU-15 are summarized in *Table 1*.

The table data indicate that the variability of the distribution of the load for the financing of educational institutions between public and private capital is quite low in 2002 (only 6.74% of the average share of public expenditure in the total expenditure on education in all the countries of the studied group). A significantly higher variation of proportion of public expenditure on education as a part of total expenditure on education in 2007 (26.7%) is technically driven result (there are no data on the proportion of public expenditure on education in Greece for 2007) and in the case of elimination of this factor remains low (only 6.88%). This means that if we calculate the figure mentioned by the database without Greece, its value will be only 6.88%.

Table 1. The scope and structure of spending on education in the EU-15

	Public expenditure on educational institutions, % of GDP		Private expenditure on educational institutions, % of GDP		Total expenditure on educational institutions, % of GDP		Expenditure on public and private educational institutions per pupil/student (PPS for full-time equivalents)	
	2002	2007	2002	2007	2002	2007	2002	2007
Austria	5,72	5,4	0,38	0,48	6,1	5,88	7692	8695
Belgium	6,1	6,02	0,36	0,34	6,46	6,36	6574	7264
Denmark	8,44	7,83	0,28	0,53	8,72	8,36	7379	8595
Finland	6,21	5,91	0,13	0,14	6,34	6,05	5707	6682
France	5,88	5,59	0,56	0,53	6,44	6,12	6161	6928
Germany	4,7	4,5	0,87	0,69	5,57	5,19	6058	6752
Greece	3,57		0,17	0,26	3,74	0,26	3549	4485
Ireland	4,29	4,9	0,28	0,24	4,57	5,14	4940	7172
Italy	4,62	4,29	0,35	0,4	4,97	4,69	5736	6205
Luxembourg	3,79	3,15			3,79	3,15		
Netherlands	5,15	5,32	0,89	0,9	6,04	6,22	6780	7891
Portugal	5,54	5,3	0,09	0,46	5,63	5,76	4191	5125
Spain	4,25	4,35	0,54	0,61	4,79	4,96	4850	6773
Sweden	7,43	6,69	0,17	0,16	7,6	6,85	6743	7907
United Kingdom	5,11	5,39	0,89	1,75	6	7,14	5708	7972
EC-15	5	4,83	0,58	0,56	5,58	5,39	5798	6709

Source: Eurostat (educ_figdp, tps00068 and tps00067), UNESCO, OECD.

Accordingly, for all the specificity of national models of access to education, macroeconomic parameters such as the extent of the resources allocated to this target and the distribution of load of the financing of education between the private and public sectors are quite similar in different countries of the EU-15.

Given that the scale values and dynamics of labor productivity and the share of wages in GDP (which, by assumption, are significantly dependent from the results of education) are characterized by a much greater variance (see *Table 2*) we obtain the first empirical evidence that institutional factors significantly affect the way the additional costs for the education sphere turn in results in terms of productivity and income distribution.

The data about the dynamics of spending on education in the EU-15 confirms this assumption. For general for all EU-15 data, the share of total expenditure on educational institutions as a part of GDP has declined and the nominal amount of funding (in dollars at purchasing power parity per pupil (the student)) increased from 5798 to 6709, that is, 15.7% (Here and below in this paragraph – *Table 1*). Given the average rate of increasing consumer prices in the EU-15 for this period, it shows the real growth of about two percent of total costs for financing public educational institutions. At the same time, such a characteristic tendency of society to invest in human capital development through funding of educational institutions, as the share of education expenditure in GDP decreased in 2007 compared to 2002. In private spending – from 0.58% to 0.56% of GDP and public spending – from 5% to 4.83% of GDP. The share of total public expenditure on educational institutions as a part of GDP has decreased, respectively, from 5.58% to 5.39%.

Among the 13 countries for which the available data are suitable for comparison only in 5 cases share of the total expenditure on education has increased in 2007 in comparison with 2002. Revealing that not all countries where this share rose recorded higher productivity growth than in countries where this share has decreased (see *Table 2*).

Despite the diversity of mechanisms and rules that govern the funding and access to education in the EU countries, the general principles of relations between the public, business and education sectors, are very similar. In contrast, countries with transformation economies formed quite specific systems of relations between education, business and society. For example, in Ukraine, the state and local budgets clearly dominate among the sources for funding of educational institutions, wherein, there is a huge informal sector of the educational services for which payment was not included in official statistics, and the access rules are formed spontaneously in the markets of informal agreements. Thus, in Ukraine there are two operating in parallel sectors provision of educational services, which are comparable in scale.

The first sector is the official educational sphere. The second – the sector of informal educational services that are closely related to the first, but functioning with fundamentally different tasks, mechanisms of reaction to customer needs and financing activities.

Table 2. The scope and structure of resource provision of education and productivity and income distribution in the EU-15

	The rate of growth of the share of total cost on education of GDP, 2007 to 2002, %	The relative level of productivity, % EU-15 average level for 2002-2007	Average growth rate of labour productivity in 2002-2007, %	The average (unweighted) share of wages of GDP for 2002-2007, %
Austria	96,39	110,43	1,67	65,03
Belgium	98,45	107,15	1,32	68,97
Denmark	95,87	141,48	1,05	67,75
Finland	95,43	112,70	2,20	61,92
France	95,03	102,18	1,13	66,02
Germany	93,18	102,82	1,57	63,90

Greece	6,95	64,55	2,50	60,67
Ireland	112,47	142,98	2,17	54,50
Italy	94,37	91,13	0,22	62,17
Luxembourg	83,11	241,02	1,50	55,70
Netherlands	102,98	117,52	1,68	65,73
Portugal	102,31	52,80	0,93	71,20
Spain	103,55	76,70	0,58	62,57
Sweden	90,13	122,57	2,62	68,83
United Kingdom	119,00	114,12	1,67	70,82
EU-15	96,59	100	1,27	65,72

Source: Europe on figures Eurostat yearbook 2011 and Statistical Annex of European Economy, Spring 2010.

With respect to the first sector, excessive government regulation has led to the non-transparent funding, the formalization of goals, ignoring the interests of consumers and business needs when determining the objectives of the educational institutions. In this case, the relative performance scale financing education in Ukraine is much less different from the EU than the rules and norms of the development of these resources, the degree of public control over the appropriateness of their use and public efficiency of their application (*Table 3*). Basic theoretical concepts of the theory of human capital about the equilibrium level of spending on education are much less useful in the Ukrainian conditions than in countries with strong institutions governing relations "business-education-society".

According to this theory, the present value of investment in education (in the form of costs and lost income) must be balanced by the present value of additional earnings over the working life of the individual (Becker, 1975). However, education in Ukraine becomes more of a consumer good, a means of positioning in society and the consolidation of social status, but not investment good, as it appears in the theory of human capital.

The primary correlation analysis, based on the hypothesis of a linear functional relationship between indicators (Frenkel, 1989) don't reveals noticeable similarity between the dynamics of size and structure of expenditure on education – on the one hand, and the level and dynamics of labour productivity – on other.

Table 3. The volume and structure of spending on education in the Ukrainian economy in 2011

Budget expenditures		Private expenditures				Total expenditure per student				Estimated quantities of non-formal education market (column3 - column 5)	
		According to a sample survey of the distribution of households by size of the cost of educational services		According to official statistics on the cost structure of households		According to a sample survey of the distribution of households by size of the cost of educational services		According to official statistics on the cost structure of households			
1	2	3	4	5	6	7	8	9	10	11	12
Million UAH per year	% GDP	Million UAH per year	% GDP	Million UAH per year	% GDP	Million UAH per year	Million USD in PPP per year	Million UAH per year	Million USD in PPP per year	Million UAH per year	% GDP
80414	6,1	21500	1,6	13315	1,0	14100	3135	12970	2883	8185	0,6

Source: Статистичний щорічник України за 2011р. – Київ, 2012. – 560 с.

However, revealed the formal features of the average force connection between the share of education spending in GDP and the share of wages in GDP for different countries (*Table 4*). A more detailed analysis of the functional relationship between the amount of spending for education and the share of wages in GDP conducted using exponential function. This analysis confirmed the hypothesis that the probability of the presence of medium strong functional connection between the share of education spending in GDP and the share of wages in GDP, with the formal characteristics of significance (probability of non-randomness) of the estimates are rather high (see *Table 5*).

Choosing the exponential function due to the fact that it provides a growth elasticity of the dependent variable changes in the case of the same absolute growth of factor. This property corresponds to the hypothesis expressed above that the costs of education prior periods affect the cost-effectiveness, carried out in the present.

Table 4. The correlation matrix of indicators of resource support of education and the performance characteristics and the distribution of income in the EU-15

	The relative level of productivity,% EU-15 average level for 2002 – 2007	Average growth rate of labor productivity in 2002 – 2007, %	The average (unweighted) share of wages of GDP for 2002 – 2007, %
The rate of growth of the share of total cost of education of GDP, 2007 to 2002,%	0,164666	-0,36653	0,261707
Total expenditure on educational institutions, % of GDP, 2002	-0,04256	0,007169	0,668805
Total expenditure on educational institutions, % of GDP, 2007	0,048213	-0,19021	0,605247

Although the distributed lag model often used to display the influence of the factor variable values prior periods to the current value of the dependent, but we refused to use such forms of the model. This is due to the fact that the distributed lag model allows you to display the influence of the factor variable for certain prior periods, but not cumulative effect of sustained high performance resource of education. At the same time, the exponential curve shows the higher growth rate of the dependent variable than bigger its absolute value, and it is this property, in our opinion, it is necessary to show the cumulative effect of investment in education.

The data in *Tables 4* and *5*, show that, first, the propensity of society to invest in the improvement of resource provision of education remains an important factor of the proportions of factors income distribution.

Second, the analysis showed that dynamics of education costs cannot explain much of the variation dependent indicators. We believe that it confirms, that institutional structure that mediates the relationship between society, business and the educational sphere, has a significant impact to the extent to which additional education expenses are converted into gains in productivity and labour income.

Table 5. Modell's parameters of influence, which share of cost on educational impact to share of wage in GDP, using function $Y = b \times m^x$

Parameters and assessment of the validity of the model	The numerical value	Treatment
b	50,99083	Can be considered "autonomous share of wages of GDP", i.e. independent of the factor variable (share of education expenditures of GDP)
m	1,040983	The sensitivity of the wage share of GDP to changes in the share of education expenditures of GDP – this value indicates a very low sensitivity, the growth factor variable of 1% causes an increase in the dependent of 0.24% (elasticity at average values of variables about 1/4)
R^2	0,450668	The coefficient of determination characterizes the variance of the dependent variable, which explains the variation factor – this value indicates that about 45% of the variation in the wage share of GDP is due to the differentiation of the share of spending on education in different countries EC-15
Seb	0,069967	The standard error of estimate b parameter - this value is only 1,78% Ln b (natural logarithm of the parameter values), which indicates a high accuracy of the estimate of an "autonomous", share of wages of GDP
Sem	0,011852	The standard error of estimate m parameter - the value obtained 29, 5% Ln m (natural logarithm of the parameter values), indicating that the mediocre accuracy of the estimate of the elasticity of share of wages of the GDP from share of education expenditures of GDP
Sey	0,058918	The standard error of the calculated values of the dependent variable - the value obtained is only 1,4% LnY_a (arithmetic mean vector of actual values of the wage share of GDP), indicating a high predictive value of the model

Source: own calculation.

We see two formal confirmation of this. First – there is a substantial share of the dependent variable's variation, which cannot be explained by variation index of resource provision of education. Second, large deviations from the graph of the function for those countries that exhibit more significant institutional problems – primarily post-socialist countries.

For example function, calculated only for countries with economies in transformation is far worse explanatory power than the function, calculated only for group of developed countries with traditionally strong market institutions. The level of education in Ukraine has become much less significant factor of differentiating individual incomes than the scope of employment, company's branch or employee experience. Our past research did not reveal in the Ukrainian economy a significant dependence between saturation of employees with higher education, peculiar to a particular industry and productivity and wages in it. Moreover, the rise in the educational level of the population correlates with the increase in inequality in the

distribution of factor incomes. Ukraine also characterized by stagnating employment in the most knowledge-intensive industries with high demands on the employer's educational level and the relatively large share of wage in the costs of enterprises (Verkhovod, 2011).

This means that the results of social sphere's operation are determined not by only and not so much the amount of resources, allocated to it by society, but by ability of the institutions that provide the accumulation and development of these resources, to serve harmonization the interests of business, social institutions and society as a whole.

In particular in Ukraine, improving public performance of higher education blocked by non-competitive, non-market allocation of its funding. Given a sufficiently strong competition between universities, pricing is tightly regulated by the state, what takes away the economic incentives from universities with the best quality of services. Assess the quality of services is not consumers, but government officials, respectively, the best financing does not depend on the university's ability to give knowledge, more requested by labour market.

At the same time, national economies that have formed quite effective institutions for regulating relations between social sphere and business, get much higher returns (both in terms of production efficiency, and in terms of social outcomes) from the additional costs for resource support social services, including education.

In such countries, socialization does not necessarily imply a growing scale of resources and income distributed outside of the market mechanisms. Moreover, the mere fact of such growth, we do not consider neither a necessary nor sufficient condition for the socialization of distribution relations. Indeed, if social norms and priorities are built into the system of spontaneous market economic relations, achieving better social outcomes does not requires large-scale resources under state control.

For example, the tendency of employers to limit the implementation of their own economic interests for the sake of employment of employees in times of adverse macroeconomic environment can significantly reduce the burden on the welfare funds and to reduce the objective need for funding of appropriate public programs. The willingness of business to actively participate in continuing qualification of personnel, invest in human capital of organization (and at some point, of society in general), significantly reduces the need for public investment in the field of vocational education.

Note that this orientation of business structures to investing in human capital is not only eases the burden of government officials' inefficiency (their inefficient operations cover a smaller share of total resources), but also a qualitative changes relations between socially sphere of economy and society as a whole. If state resources are dominated among the sources for financing of social institutes, the maintenance of social sphere's dynamic development requires solution of complex problems – the bureaucracy, the formalization of goal setting, the gap between the needs of society and the direction of activity of social institutions, a tendency towards monopolization and abuse, misuse of resources.

Conclusion

Summarizing the above, we formulate two conclusions, regarding the impact of investment in education on the distribution of factor incomes.

Backlog countries with transformation economies from the economically developed countries in terms of human capital accumulation is due not only and not so much inadequate resourcing social services (including education), but disadvantages of institutions, regulating the development of investment in human capital. Thus, the problem of low return on investment in human capital in Ukraine cannot be deprived only increasing their volume. Our studies show that the smaller contribution of education to productivity growth and alignment

of the income distribution in the post-socialist countries, not only due to lower investments in this sector, but also their worst ability to absorb the investments.

On the other hand, our study showed that in itself increase the share of private and reducing the share of public expenditure on education is not a guarantee of the best public results of the educational sphere (experience the economically developed countries and CIS countries confirms this thesis). It is very difficult to compare the benefits from improving the quality of education with reducing from losses its accessibility, due to lack of ability to pay.

Therefore, we see a promising opportunity to reform the domestic professional education does not in change of the volume and structure (private and public) spending on education. But in the change of the institutions, governing activities of schools. Necessary to significantly reduce the level of educational institutions' dependence from government officials. And conversely increase their dependence from consumers. Important not to lose the advantages associated with a wide public access to educational services. To do this, we consider it appropriate to reform the funding mechanism for vocational education institutions in the first place – higher. We propose to make the recipient of government subsidies are not universities, but direct consumers, which must to be free in choosing the educational institution whose services wish to purchase.

This will combine the advantages of the wide availability of education with the best incentives for the growth of its quality.

References

Стігліц, Джозеф Е. *Економіка державного сектору* / Пер. з англ. А. Олійник, Р. Скільський. – К.: Основи, 1998. – 854 с.

Эрроу, К. Дж. *Неопределенность и экономика благосостояния здравоохранения*, electronic resource access mode: http://www.seinstitute.ru/Files/veh4-2-8_Arrow_p293-338.pdf

Grabel, I. (2013), *Financial Architectures and Development: Resilience, Policy Space, and Human Development*, Human Development Research Paper. United Nations Development Programme, Human Development Report Office, New York.

Bhattacharya, A., Romani M., Stern N. (2012), *Infrastructure for Development: Meeting the Challenge*, Centre for Climate Change Economics and Policy, London. www.cccep.ac.uk/Publications/Policy/docs/PP-infrastructure-for-development-meeting-the-challenge.pdf. Accessed 15 May 2012.

Зайцев Ю.К. Политическая экономия: социальные приоритеты. К вопросу определения системы институциональных координат предмета и методологии современной политической экономии // *Материалы первого международного политэкономического конгресса*. – М.: МГУ им. М.В. Ломоносова, 2012.

Якубенко В.Д. Тріада соціального капіталу / Якубенко В.Д., Почева Н.О. // Політичні, правові та фінансово-економічні пріоритети розвитку економіки України: стратегія і перспективи. *Зб. матеріалів III Міжнародної науково-практичної конференції.* – Умань: ВПУ «Візаві». – 2013. – С. 64-68.

Harberger, A. (1964), Taxation, Resource Allocation and Welfare. In J.Due (Ed.), *The Role of Direct Indirect Taxes in the Federal Revenue System*, Princetone: Princtone University Press.

Coleman, J. (1990), *Foundations of Social Theory*. Cambridge: Harvard University Press.

Ерхард Л. *Социально-рыночное хозяйство* / Мировая экономическая мысль. Сквозь призму веков. В 5 Т. / Сопред. научно-ред. совета Г.Г. Фетисов, А.Г. Худокормов, Т.III Эпоха социальных переломов / Отв. ред. А.Г. Худокормов. – М.: Мысль, 2005. – 896с.

Сен А. К. *Свобода, единогласие и права*, electronic resource access mode: http://www.seinstitute.ru/Files/veh4-1-6_Sen_p195-248.pdf

Chang, H.J. (2010), *How to 'Do' a Developmental State: Political, Organizational and Human Resource Requirements for the Developmental State*, In O. Edigheji, ed., Constructing a Democratic Developmental State in South Africa, Potentials and Challenges. Cape Town: HSRC Press.

Шумпетер Й.А. *Капитализм, Социализм и Демократия*: Пер. с англ. /Предисл. и общ. ред. В.С. Автономова. – М.: Экономика, 1995. – 540 с.

Yastrebov G., Krasilova A., Cherepanova E. (2013), "Health" of nations: evaluating physical, social and mental well-being in Europe and Cis countries, *Working paper WP17*, 02 Series WP17.

Stephen Knack, Philip Keefer, Institution and Economic Performance: Cross-Country Tests Using Alternative Institutional Measures, *Economics and Politics 7* (November 1995), pp. 210–222.

World Bank (1993), The East Asian Miracle, *The East Asian Miracle: Economic Growth and Public Policy: Summary* (Washington, DC.: The World Bank), pp. 1-12.

Доклад о развитии человека 2010, 20-е, юбилейное издание. Реальное богатство народов: пути к развитию человека / Издательство "Весь мир" 2010 г.

Mincer, J. (1975), *Schooling, experience and earnings*, New York.

Psacharopoulos, G., Patrinos, H.A. (2004), Returns to Investment in Education: A Further Update, *Economics of Education*, 12(2).

Barro R. J., Lee J. W. (2001), International Data on Education Attainment: Updates and Implications, *Oxford Economic Papers*, Vol. 53, No. 3.

World Bank (2005), *World Development Indicators*, Washington: World Bank.

Psacharopoulos G., Patrinos H.A. (2004), Returns to Investment in Education: A Further Update, *Economics of Education*, Vol. 12, No. 2.

Drucker, P.F. (1993), *Post-Capitalist Society*, New York: Harper Business.

Стюарт Дж. А. Интеллектуальный капитал – новый источник богатства организаций – Пер. с англ. В Ноздриной. – М: «Поколение», 2007. – С. 368.

Becker, G. S. (1975), *Human Capital: A Theoretical and Empirical Analysis, 2nd edition*, New York: Columbia University Press for the NBER.

Верховод І.С. Структурні зрушення зайнятості населення України в контексті соціалізації сфери праці / *Україна аспекти праці*. – № 2. – 2011. – С. 8-14.

Корчагин Ю.А. *Российский человеческий капитал: фактор развития или деградации?*: Монография. – Воронеж: ЦИРЭ, 2005. – 252 с.

Капелюшников Р.И. Записка об отечественном человеческом капитале: Препринт WP3/2008/01. – М.: Изд. дом ГУ ВШЭ, 2008. – 56с.

Лукьянова А.Л. *Динамика и структура неравенства по заработной плате (998 – 2005 гг.)*: Препринт WP/2007/06. – М.: ГУ ВШЭ, 2007. – 68 с.

Френкель А.А. *Прогнозирование производительности труда: методы и модели*. – М.: Экономика, 1989. – 214 с.

United Nations Development Programme (UNDP) (2010), *Human Development Report 2010*, New York: UNDP.