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# SOCIAL INCLUSION AS A PUBLIC MANAGEMENT GOAL: THE DETERMINACY FOR PROPER ASSESSMENT

**ABSTRACT**

**Introduction.** The article substantiates the necessity to clarify the content of the phenomenon and the concept of social inclusion for national public administration system improvement. To this end, it analyzes social sphere management practices and some national social policy models of governments of different countries.

**Purpose.** The purpose of the article is to analyze the ideas and practices of social inclusion management for their implementation in the Ukrainian economy and society

**Method (methodology).** The methodological basis of this study is formed by the works of scientists who have created the theory of social inclusion and also formed by the econometrics toolkit.

**Results.** The considered article makes a generalization regarding the existence of three areas of inclusion implementation, namely: in the distribution of income, property and national wealth, in labor and entrepreneurial activity, in participation in public administration and direct democracy. It has defined a series of indicators by which inclusion can be assessed in each of the identified areas. The article has constructed the integral index of social inclusion and explains the possibilities of its practical use in public administration. It identifies the problems that arise when trying to calculate such an integral index of inclusion and outlines the possible ways of solving them. It presents the results of a comparative analysis of the relationship between the level of differentiation of citizens' incomes and the level of GDP per capita in Ukraine and Lithuania.

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# СОЦІАЛЬНА ІНКЛЮЗІЯ ЯК МЕТА ПУБЛІЧНОГО УПРАВЛІННЯ: ВИЗНАЧЕНІСТЬ ДЛЯ ПРАВИЛЬНОГО ОЦІНЮВАННЯ

**АНОТАЦІЯ**

**Вступ.** У статті обґрунтовується необхідність уточнення змісту явища та поняття соціальної інклюзії для вдосконалення національної системи публічного управління.

Для цього аналізуються практики управління соціальною сферою та деякі національні моделі соціальної політики урядів різних країн.

**Мета.** Метою статті є аналіз ідей та практик управління соціальною інклюзією для їх реалізації в українській економіці та суспільстві

**Метод (методологія).** Методологічну основу дослідження формують праці науковців, які створили теорію соціальної інклюзії, а також економетричний інструментарій

**Результати.** Зроблено узагальнення про існування трьох сфер реалізації інклюзії, а саме: в розподілі доходів, майна та національного багатства, в трудовій і підприємницькій активності, в участі в публічному управлінні та прямому народовладді. Визначено серію показників, за якими може оцінюватися інклюзія в кожній з визначених сфер. Сконструйовано інтегральний індекс соціальної інклюзії та пояснено можливості його практичного використання в публічному управлінні. Визначено проблеми, які виникають при спробі розрахунку такого інтегрального індексу інклюзії та окреслено можливі способи їх розв'язання. Презентовано результати порівняльного аналізу зв'язку між рівнем диференціації доходів громадян та рівнем GDP per capita в Україні та в Литві.

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## Introduction

Social inclusion has become the goal of public policy in modern governments in many countries. This is evidenced, in particular, by the results of a study by the United Nations Research Institute for Social Development (UNRISD), presented in "Social Policy and Inclusive Development" work. The aforementioned work contains at least two important ideas that cannot be disagreed with. Firstly, it is the thesis that social policy focuses on inclusion because of the need to overcome alienation, which is caused by significant differences in living conditions. Secondly, it is the thesis that the lack of inclusion prevents sustainable economic growth [1].

Despite the fact that the phenomenon of inclusion became the subject of different researches in the early XXI century, in our view, it lacks the necessary level of determination accuracy. This is a level of precision that is sufficiently simple and easy to understand. To confirm the conclusion regarding the insufficient level of accuracy, one can use the IGI Global information resource. In this resource social inclusion is characterized as a concept linked to the provision of "… equal opportunities and resources between people with and without disabilities" and 21 more refinements are added to this general definition [2].

## The purpose and objectives of the article

In view of the formulated problem, the purpose of this article is first and foremost to clarify the meaning of the term "social inclusion". On the basis of this refinement it is planned to construct an integral indicator of the inclusion level estimation. The importance of such a task for public management is explained by the fact that any management decision should be based on a relevant assessment of the actual state of affairs in a particular area.

## Presentation of the main research material

Clarification of "social inclusion" term should be based on the prehistory of social sphere public management ideas and practices.

Assessing historical experience, we will draw on such assumptions. First, the deep meaning of social inclusion is the overcoming of excessive (unjustified) inequality in the life conditions of people and communities. Second, when successful inclusion is achieved, social exclusion is overcome. Third, the redundancy (unreasonableness) of inequalities of living conditions can be verified by the criterion of slowing down the development of economy and society.

It seems that the historical precursors of the idea and practice of social inclusion of the late 20-th – beginning of the 20-th century were other important ideas and practices of public management of the 19th – 20th centuries. Among such "precursor ideas", we think, the following may be regarded: "State Socialism" in Germany of the 1880s – 1990s, embodied by Otto von Bismarck, "Ethical (Confucian) capitalism" of Japanese business leader E.Shibusava at the beginning of the 20-th century, "French solidarity" of the Fifth Republic (1958 – 1960's) during the presidency of Sh. de Gaulle. Each of these ideas was followed by a specific practice of governments public administration. Separate manifestations of overcoming alienation, in fact, manifestations of inclusion, implemented within the framework of these management practices, are presented in Table 1.

**Table 1. Ideas and social inclusion management practices**

| Ideas historically linked to social inclusion | Practical steps in public administration aimed at overcoming social exclusion |
|---|---|
| State Socialism in Germany in the 1880s – 1890s (Otto von Bismarck) | Overcoming the alienation of the working class and its opposition to the German State by adopting and implementing a number of social protection laws, namely: the Health Insurance Bill of 1883, the Old Age and Disability Insurance Bill of 1889, the Workers Protection Act of 1891 [3]. |
| "Ethical (Confucian) capitalism" of the first third of the 20-th century (E. Shibusava) | Overcoming alienation through the formation of a "positive business identity" by creating charitable organizations, new social programs, an updated school system, etc. in cooperation with the Japanese state [4]. |
| "French Solidarity" by the Fifth Republic after the 1958 Constitution (Sh. De Gaulle) | Overcoming alienation between different social groups through a "participatory system", "social elevators", including "elevators" in the French civil service, guaranteeing quality education for all, creating new employment opportunities [5]. |

Important conclusions regarding the identification of social inclusion can be drawn from the analysis of different governments social policy models evolution. In particular, the analysis of East Asian countries' models has led to the conclusion that the weight of social inclusion-related tasks and measures is increasing, while achieving better economic growth. These are measures to redistribute revenue and

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achieve greater equality of opportunities [6]. Another study on social policy models in Latin America concluded that there was a vector of movement from partial social guarantees to guaranteeing a common rapprochement of living conditions of different segments of society and overcoming poverty [7].

Interesting practices of overcoming social exclusion were implemented by governments and leaders of countries that practically embodied the idea of economic nationalism. These are the governments of Turkey in the times of Mustafa Kemal Atatürk, Greece under Ioannis Metaxas, Portugal under Antonio de Oliveira Salazar, modern India under Narendra Modi etc. The generalization of successful practices of the mentioned nationalist governments was made in a study of the team of Ukrainian authors "Economic Nationalism and Social Justice". Sufficiently radical forms of overcoming alienation have been applied.

These include redistribution of land for the benefit of the poorest peasants, setting lower price caps to support small businesses, encouraging paternalism of big business for hired workers, limiting cash circulation to counteract "black market" enrichment, etc. [8].

A brief overview of social policy models gives grounds to conclude that there are many forms of social exclusion limitation and their (forms) implementation in different spheres of public life. Therefore, ordering ideas about social inclusion involves classifying these forms. In our opinion, classification based on the criterion of areas of inclusion implementation is substantiated. On the basis of such a criterion, at least three such areas can be distinguished, namely: 1) distribution of income, property, national wealth, 2) labor and entrepreneurial activity, 3) public administration and direct democracy (Fig. 1).
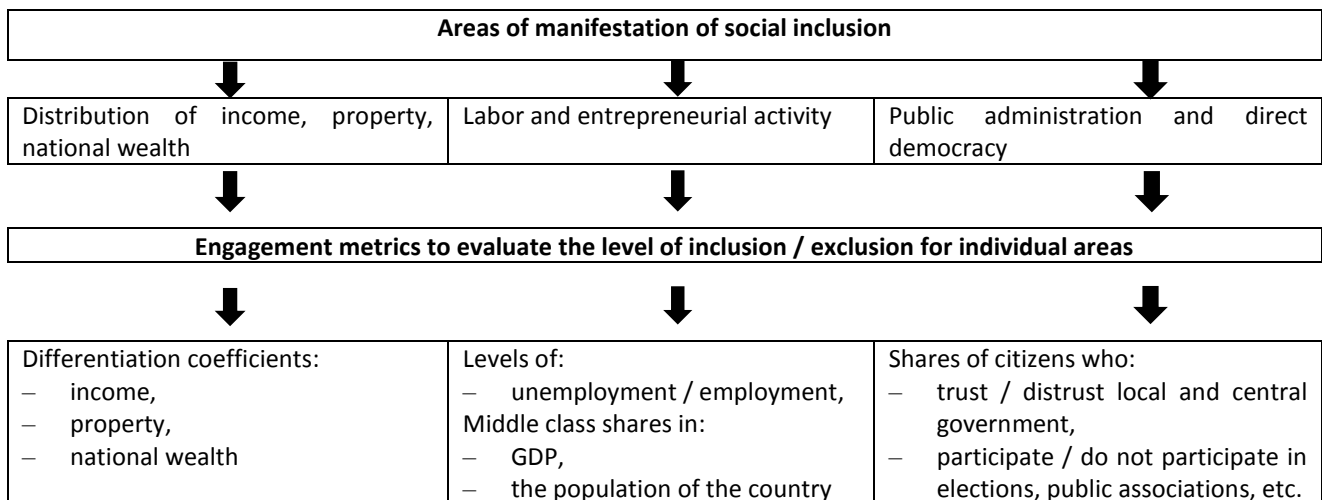
| Areas of manifestation of social inclusion | | |
|---|---|---|
| Distribution of income, property, national wealth | Labor and entrepreneurial activity | Public administration and direct democracy |
| Engagement metrics to evaluate the level of inclusion / exclusion for individual areas | | |
| Differentiation coefficients:<br>— income,<br>— property,<br>— national wealth | Levels of:<br>— unemployment / employment,<br>Middle class shares in:<br>— GDP,<br>— the population of the country | Shares of citizens who:<br>— trust / distrust local and central government,<br>— participate / do not participate in elections, public associations, etc. |

**Fig. 1. Structure of social inclusion, by criterion of spheres of manifestation**

As illustrated in Fig. 1, social inclusion has different forms of manifestation and therefore needs to be evaluated through different indicators. The latter, as well as forms of inclusion, are divided into three areas, respectively – into three groups.

Multiplicity of forms of manifestation of inclusion, respectively – the multiplicity of indicators for evaluation, involves the creation of an integral (unifying) indicator. Integral indicators are usually called integral indices.

The general formula of an integral index, provided that in each group of indicators of a separate sphere only one indicator is selected that is recognized as the most important, could look like this:

$$I_{incl} = \sum_{n=1}^{3} \alpha_n n_n \quad (1)$$

(where $I_{incl}$ – social inclusion integral index, $n_n$ – normalized value of the selected indicator, $\alpha_n$ – the weighting coefficient for the selected indicator).

When using all the indicators shown in Fig. 1, the formula of a more complex integral index covering the subindices of individual spheres should be applied, namely:

$$I_{\frac{incl}{comp}} = \sum_{i=1}^{3} \beta_i I_i \quad (2)$$

(where $I_{incl/comp}$ – complex integral index of social inclusion, $I_i$ – inclusion subindices for individual spheres calculated by the formula (1) and provide for a normalized procedure, $\beta_i$ – weighting coefficient for each of the three spheres).

As it is known, the biggest technical problems in determining the integral indices are related to the justification of the weighting coefficients for the application of the index formulas and the choice of the correct algorithm for normalization of indicators. Some aspects of these problems are discussed, in particular, in the fundamental work of Ukrainian researchers [9, p. 287-309].

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In assessing the level of social inclusion, technical statistical problems are complemented by the following problems of interpreting the content of the phenomenon of inclusion.

Firstly, since peer review or a combination of statistical and expert evaluation is a common method of weighting coefficients assessment, it is important that the experts themselves carry the ideas of inclusion. With regard to the construction of the integral index we propose, the experts' should be able to offer the answer to the question: "Which of the three areas of inclusion is more important and to what extent?" There are three areas to choose from: income and wealth distribution, employment and entrepreneurial activity implementation, or the realization of people as citizens of their own country.

Secondly, it is important that the stimulant or, conversely, the disincentive is a specific indicator. After all, the indicator-stimulator values increase means an improvement of the situation with inclusion. Instead, the disincentive-indicator values increase has to reduce the level of inclusion. The assessment problem is related to the fact that only some of the indicators are uniquely either stimulants or disincentives. For example, such a uniquely stimulating indicator is the share of citizens involved in forms of direct democracy: elections, public movements, etc. It is clear that as this share increases, the level of citizens involvement in society increases as well.

For most indicators, there is no ambiguity as to whether they are stimulants or disincentives. For example, at first glance, the unemployment rate is clearly a disincentive. Its growth, in most cases, means a decrease in the level of inclusion due to the exclusion of citizens from active labor activity. But from the practice of public management in some countries, it was concluded that low unemployment could hinder citizens' labor activity. And one of the thesis of macroeconomic theory is the affirmation regarding the negative effects of efforts to reduce unemployment below the level which is called "natural". Indicators of differentiation of income, property and public wealth also have the same ambiguity of influence. To some degree, reducing differentiation can stimulate the economy. Instead, a further decrease turns them into a deterrent.

Thirdly, since individual indicators for the calculation of the integral index of inclusion have an ambiguous influence, namely: to certain critical level are stimulants, and after their achievement – to disincentives, the problem of these critical values definition is arising. In statistics, such critical values are associated with the term "standard indicators", in macroeconomics – with the terms "natural level", "optimal values of indicators", "equilibrium values of indicators". The importance of operating critical values stems from the simplest algorithm for normalizing indicators that must be used to determine the inclusion integral index. It is clear that the normalization itself converts indicators of different content and methods of measurement into homogeneous ones.

The rationing algorithm for stimulants and disincentives indicators is represented by formulas (3) and (4).

$$n_{\frac{n}{st}} = \frac{T_n}{T_{cr}} \quad (3) \qquad n_{\frac{n}{dest}} = \frac{T_{cr}}{T_n} \quad (4)$$

(where $n_{n/st}$, $n_{n/dest}$ – normalized values, respectively, of the stimulants and the disincentives, $T_n$ – the actual value of an individual indicator, $T_{cr}$ – critical (optimal, natural, equilibrium) – value of the indicator).

There are all grounds to confirm that the problem of identifying critical values of indicators is partially solved. We mean that the indicators of the natural level of unemployment for different countries are determined by the international method of the International Labor Organization. There is also a justification for a certain level of naturalness (normality) of income differentiation, for example, by Gini coefficient. But the full use of integrated assessment of the level of inclusion provides for the relevant justification of critical (optimal, natural, equilibrium) values for all indicators.

The complexity of estimating critical values and the ambiguity of such indicators of inclusion, such as income differentiation coefficients, can be illustrated by the comparison of data from Ukraine and Lithuania (Fig. 2a and 2b, 3a and 3b).

Fig. 2a and 2b illustrate that the relationship between Gini coefficient and Income share ratio on the one hand, and GDP per capita on the other, with sufficiently high accuracy, is described by a linear equation with the inverse relationship of the variables. This means that the differentiation indicators were likely disincentives in Ukraine, limiting an important indicator of the nation's welfare – GDP per capita.

Fig. 3a and 3b illustrate that the relationship between Gini coefficient and Income share ratio on the one hand and GDP per capita on the other was not linear in the Lithuanian economy. This connection is best described by a second-order polynomial function. This can be interpreted as the fact that income differentiation is likely to have been both a disincentive and a stimulant in relation to socio-economic well-being.

## Conclusions and prospects for further explorations

New opportunities for the national economy public management may be opened in connection with the social inclusion level relevant assessment. As a complex phenomenon, social inclusion should be assessed by using an integral index.
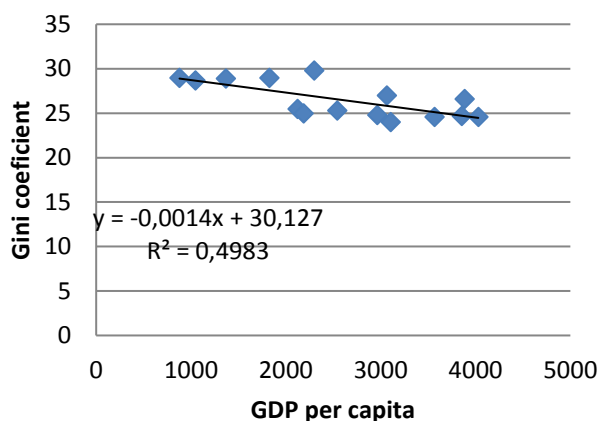
**Fig. 2a. Relationship between GDP per capita (thousands US dollars) and Gini coefficient (%) according to the data of Ukraine in 2002 – 2016 [10]**
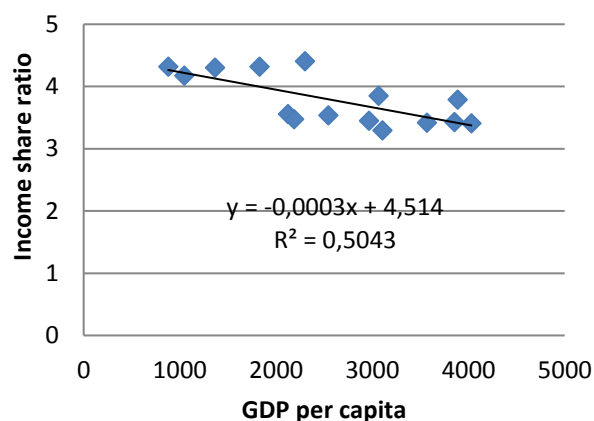


**Fig. 2b. Relationship between GDP per capita (thousand US dollars) and quintile ratio (Income share ratio) (times) according to the data of Ukraine in 2002 – 2016 [11]**
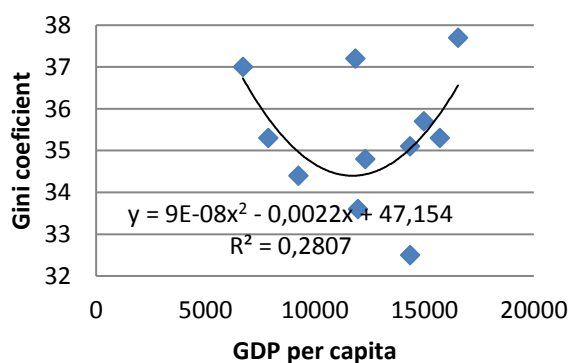


**Fig. 3a. Relationship between GDP per capita (thousands US dollars) and Gini coefficient (%) according to the data of Lithuania in 2004 – 2015 [10]**
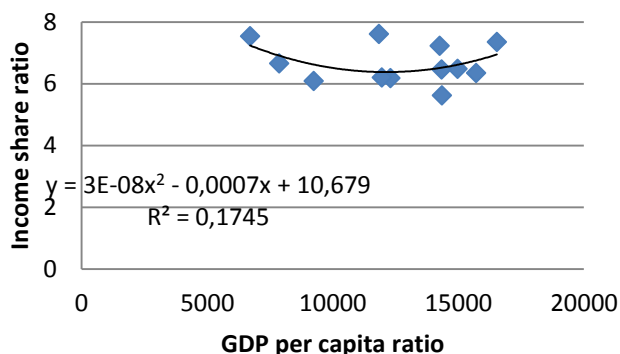


**Fig. 3b. Relationship between GDP per capita (thousands US dollars) and quintile coefficient (Income share ratio) (times) according to the data of Lithuania in 2004 – 2015 [11]**

The main prerequisites for more accurate assessment of the level of inclusion using the integral index are:

– clarification of the inclusion concept on the basis of its content structuring, manifestation forms classification and indicators identification;

– substantiation of critical, that is, optimal, natural, equilibrium values of indicators covered by the integral index;

– correct determination of weighting coefficients for particular indicators and areas through which inclusion is implemented.

The areas of further research on social inclusion for the use of information about its level in public management should probably be:

– specific calculations of the integral index of inclusion by data of separate countries;

– study of the dynamics of the inclusion index and the ranking of countries by its values.

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