

**Management mechanisms and  
development strategies of  
economic entities in conditions  
of institutional transformations  
of the global environment**

**Collective monograph edited by  
M. Bezpartochnyi**

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ISMA University  
Riga (Latvia) 2019



**Ekonomisko vienību vadības  
mehānismi un attīstības  
stratēģijas globālās vides  
institucionālo pārveidojumu  
kontekstā**

**Kolektīva monogrāfija  
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The authors of the book have come to the conclusion that it is necessary to effectively use modern management mechanisms and development strategies of economic entities in order to increase the efficiency of their activities. Basic research focuses on financial diagnostics of the enterprise, assessment the quality of services, efficiency of business process management and implementation of innovative projects, monitoring of the labor market, diagnostics of the country’s debt security, and research of the country’s investment image. The research results have been implemented in the different models of development the commercial awareness, smartization, production of functional food products, use of eco-innovation, development of the e-commerce market, formation a new paradigm of work motivation, crisis management of economic security, modern tools of higher education management. The results of the study can be used in decision-making at the level of international business, ministries and departments that regulate the processes development of economic systems, ensuring stability and efficiency. The results can also be used by students and young scientists in modern concepts of the development of economic entities in the context of institutional transformations of the global environment.

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**IMPROVING THE  
MOTIVATION  
MECHANISM OF  
MEDICAL STAFF IN  
UKRAINE**

**1. General issues of medical staff's remuneration in Ukraine**

Modern Ukrainian society is characterized by the transformation processes in economics, revitalization of political processes, and also reformation of the social sphere, one of the most important components of which is the national healthcare system. Nowadays healthcare reform, and in fact creation of the new healthcare system, takes place in Ukraine. It must take the lead among the main priorities of the state policy. In our view, healthcare politics must be a core element underpinning the state policy and the country's development strategy, because the individual and nation's health state is one of the important and defining criteria of the national human capital's formation and development.

Nowadays health indicators of Ukrainian nation, namely the life expectancy, physical and mental health, fertility and so on, are precariously low, and mortality, on the contrary, is extremely high. This represents the urgent need for rethinking the foundations of society's development. That's why understanding of the value of human life and health should form the basis of the whole social governance system, humanistic policies and the national healthcare system's transformation.

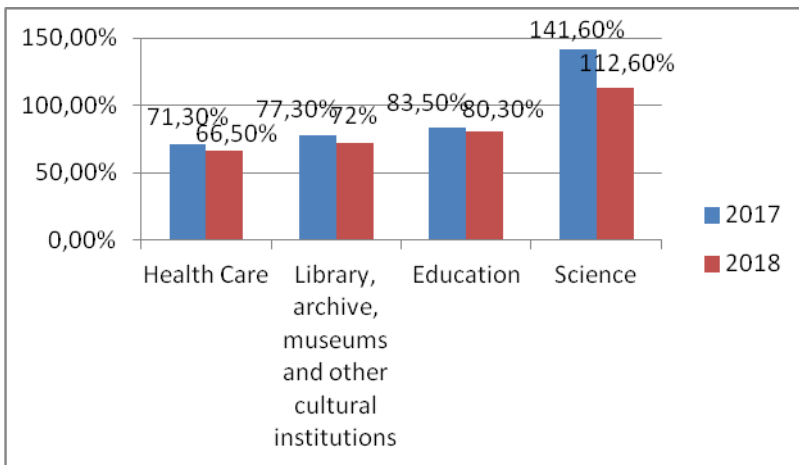
Development of national economics has a significant impact on the forms and methods of state regulation and public administration of country's healthcare sector, and Ukraine is no exception. From the other hand, the contribution of the health care into the economic development of any country is obvious. Medical services volume, provided to the population and expressed in value terms, positively impacts on the GDP. As more resources are used in the medical services provision and as higher is the medical staff's qualification, the bigger is the amount of national income, generated by the economic sector. Employees of the healthcare sector are "producers" of medical services, and therefore they by preventing diseases and treating sick people, improve the social and demographic conditions and increase country's labour potential and human capital. Thus, the issues of improving motivation mechanism of



medical staff in Ukraine are those of great interest for the public administration in healthcare field.

As it was said above, the medical staff is the healthcare system's core element, because they are the medical services "producers". Thus, they create the quality of the medical services and provide the highly qualified medical aid. Therefore, the medical and social effectiveness of the whole healthcare system depends on them. And their outputs depend on the qualitative motivation mechanism and remuneration system, existing in the healthcare field.

Unfortunately, medical staff in Ukraine is the most underappreciated category of workers. Thus, according to the data, provided by State Statistic Service of Ukraine, average monthly wage of medical staff is the lowest among the employees of budget sphere (Figure 3.7) and in 2018 it is 66,5 % of the average monthly wage for the whole country.



**Figure 3.7 Average monthly wage of employees of the budget sphere in Ukraine**

Source: [1]

Such situation, firstly, is caused by factors of the macro-environment, among which are:

1. *Profound disequilibrium between cost-of-living and actual cost of labour*: This, in turn, is due to the fact that in recent years in Ukraine: (a) there is the false wage policy and governance implements a commodity-based economy, consequently, this leads to labour depreciation, declining employees' competence, provoking worsened levels of

poverty and mass labour migration; (b) in Ukraine the reformation of remuneration system is merely simulated, thus it does not results in the final adequate ratio between a wage, labour productiveness and improvement of the quality of services; (c) the right to work and receive the decent wage is not effectively ensured; (d) measures to ensure the right to receive the decent remuneration for work are not implemented; (e) the poverty among employees increases, thereby, in 2018, more than 25 % of employees has received the wage lower, then the actual subsistence level (according to State Statistic Service of Ukraine).

2. *Low level of labour costs in GDP.* Payroll’s share in GDP is characterized by the following data, represented in Table 3.2.

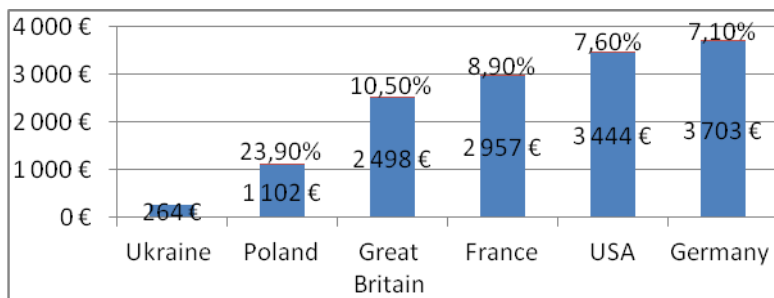
Table 3.2

<b>Share of payroll in GDP in Ukraine</b>		
<b>Criteria</b>	<b>2014</b>	<b>2017</b>
GDP in actual prices, million UAH	1586900	2982900
Payroll, million UAH	374163	674350
Payroll’s share in GDP, %	23,6	22,6

Source: [1]

These data reflects the negative dynamics in payroll’s share in GDP, starting from 2014. The low level of added value, generated at Ukrainian enterprises is one of the reasons of such situation. This problem is particularly common for commodity-economics.

3. *Unreasonable low salary levels in economic branches in Ukraine by comparison with countries worldwide.* In 2018 average monthly salary in economic branches is characterized by the following data, presented in Figure 3.8.



**Figure 3.8 Ratio between Ukrainian average monthly salary and average monthly salary in other countries, 2018**

Source: [1]

In Ukraine average nominal monthly wage during 2014-2018 has been doubled, but nevertheless average real monthly wage remains almost unchanged. Meanwhile, headline inflation is significantly higher, then increase in salary.

Salaries indicators remain too low, as evidenced by average hourly labour costs in European countries and in Ukraine (Table 3.3). Such indicators negatively affect on Ukrainian labour market's development, result underground labour market, and motivate population to labour emigration from Ukraine.

*Table 3.3*

**Average hourly labour costs in EU and in Ukraine, 2014-2017**

Country	Year			
	2014	2015	2016	2017
<b>EU 28</b>	25,2	25,7	26,2	26,8
<b>EU 19</b>	29,0	29,3	29,8	30,3
<b>Ukraine</b>	2,18	1,15	1,31	1,68
<b>Germany</b>	31,5	32,3	33,2	34,1
<b>France</b>	34,7	35,1	35,6	36,0
<b>Bulgaria</b>	3,8	4,1	4,4	4,9
<b>Estonia</b>	9,8	10,4	10,9	11,7
<b>Latvia</b>	6,6	7,1	7,5	8,1
<b>Lithuania</b>	6,5	6,8	7,3	8,0
<b>Hungary</b>	7,7	7,9	8,3	9,1
<b>Poland</b>	8,3	8,6	8,6	9,4

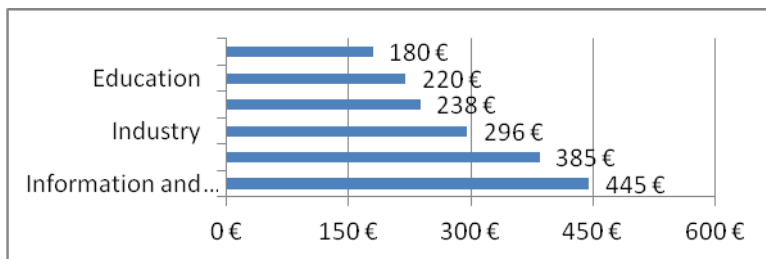
*Source: [4]*

In Ukraine low level of salaries forces qualified specialists emigrate to find jobs from Ukraine to other European and world countries. Therefore, migration activities become globalized in Ukraine. Mass migration of labour forces is an urgent socio-economic and political problem of modern Ukraine. Labour migration is resulted by composition of external factors on behalf of the recipient countries and inner negative factors of socio-economic development of Ukraine. Among the basic inner factors, resulting labour migration of Ukrainians, are the low level of salaries, the spread of poverty among working population, shortfalls in demand for the qualified workforce at the domestic labour market. External factors of labour migration are attractive and large labour market in developed countries with considerably high salary level, compared with Ukraine.

4. *In Ukraine there is imbalance between the salaries of highly*

*qualified and unqualified employees and employees of private and budget sectors of economy.*

5. *Disproportion of the salary.* In Ukraine the significant disproportion between the salaries level of employees of different economic branches and regions exists. Thus, according to the data, provided by State Statistic Service of Ukraine, salaries level in the economic branches is presented in Figure 3.9.



**Figure 3.9 Salaries level of employees of different economic branches in Ukraine, 2018**

*Source: [1]*

From Figure 3.9, we can see that in Ukraine over recent years the highest salaries level was in the financial sphere, rather than in industrial sector.

6. *Arrears in the payment of the salaries increase.* In recent years, despite undervalued salary, large number of entities, especially in budget sphere, increase arrears in the payment of the salaries in Ukraine. As at 1 October, 2018, the volume of unpaid salary arrears has increased to 2,7 billion UAH, in this, 70 % of these arrears occurs in economically active entities, most of which are industrial enterprises.

7. *Informal employment and salary payments.* For projected estimates, about 50 % of GDP is in underground or in offshore. Thus, if in 2018 GDP is 3332,3 billion UAH, in accordance to projection, accordingly the volume of underground economy will be about 1666,15 billion UAH. When the share of payroll at the underground economy is about 29,0 % and the average salary of the employees in underground is 9000 UAH, 4,5 million employees are informally employed in Ukraine.

Above mentioned factors are common to all economic branches in Ukraine, but nevertheless they also remain urgent for the healthcare sector. Thus, we can emphasize the following problems with medical staff remuneration in Ukraine:

1. Remuneration of medical staff is the lowest among the budget sphere and economy as a whole.

2. There is imbalance between highly qualified and unqualified employees.

3. There are significant arrears in the payment of the salaries.

4. Informal employment and salary payments remain in the healthcare sector.

5. The healthcare system works on the principles of hourly wage, which has several substantive shortcomings. The remuneration of the medical institutions is based on the single wage grid taking into account all co-payments. Such wage system is fixed, does not depend on the volume and quality of conducted activities. In accordance with hourly wage, to the medical staff must be paid the wage, even if they have not carried out the certain scope of work. Imagine the situation. Two physicians with the same experience and qualification work in the same conditions. One physician is highly qualified, to whom there is about 30-30 appointments of the patients per day. And the other one does not work hardly, he has about 10-15 patients per day. In accordance with the single wage grid both of them receive the same wage. Eventually, the first physician will rebuild new behaviour that it is not necessary to overstress at work, because it won't change his remuneration. That is, in the above shown situation one of the most important functions of remuneration system – stimulation – does not work, so the employer does not have the possibility either to encourage, or to sanction his / her employees. Consequently, the quality of the medical assistance declines, because the wish to give greater efforts to the treatment process disappears [6].

## **2. Issues, related to the shortage of medical specialists in Ukraine.**

There is the significant shortage of specialists at the primary, secondary and tertiary levels of healthcare sector. In this, the specialists staffing is disproportionate at the rural and urban districts.

Thus, in the regional centers, where is the medical high school, the rate of the staff capacity and staffing rate accounts about 90-100 %.

In the cities, where is not the medical school, the rate of medical specialists in the central district hospitals, accounts about 70-90 %. However, there the stuffing problem is solved by the way of the holding by specialists of several positions. The shortage of endocrinologists, anesthetists, pediatricians, radiologists, infectious disease specialists tuberculosis specialists, pathologists, ophthalmologists, urologists and

other physicians is the common situation for the regions, where is not the medical school.

In rural areas, the staffing problem is more sufficient. The rate of medical specialists of general practice and other specialists is less, than 70 %.

Generally in Ukraine at the secondary level is the lack of medical personnel about 10 % of specialists of different directions, at the primary level the lack is about 30 % of general specialists.

In this, there is the significant share of medical staff, namely physicians, of retirement age. In some regions of Ukraine their rate accounts about 40 % of total staff. For example, according to the approximate calculations, in Vinnytska region there is 28 % of the physicians of retirement age at the primary level, 23 % is on the secondary level, and 19 % is at the tertiary level. And the most of the staff is the people more than 65 [5].

Such a process of ageing of the staff influences the quality and speed of the medical services provision, that is characterized by use of the out-date methodology, algorithms of medical services provision and technologies, lack of the interest to get new knowledge and to develop, so on.

The main reasons of the shortage of specialists in the healthcare sector are the following:

- 1) disproportionality and inadequacy of the medical staff's wage level in comparison with the volume and quality of provided medical assistance, on the one hand, and on the other, in accordance with the specialists from the industrial and other spheres of economy;
- 2) the lack of the state support for the young specialists in the healthcare sphere;
- 3) insufficient financial support of rural health care;
- 4) low level of the material and technical and normative bases of the medical institutions;
- 5) undeveloped infrastructure generally all over the country;
- 6) bad social and living conditions of the medical staff (for example, lack of accommodation) and lack of state interventions for their improvement;
- 7) problems with professional development of the medical staff;
- 8) ageing of the medical staff, i.e. the specialists of retirement age hold the posts, which could get the young physicians;
- 9) significant emigration of medical staff from Ukraine (roughly estimated, about 70 thousand medical staff, among which are 10

thousand of physicians, has emigrated [2]) to such countries as Poland, Hungary, Bulgaria, Czech Republic, Germany, Canada, Turkey and so on. The most intensive dynamics is directly after the graduation from the higher education institution [3].

So we see that the problem of staffing of medical institutions, formation of adequate payroll and effective system of the motivation and stimulation of medical personnel are the thorny issue. And the medical reform, conducted nowadays in Ukraine, confirms inability of the system to move to the European standards of medical assistance providing and healthcare administration, and even the problem of the shortage of the personnel worsen while this reform has been conducted. Before the beginning the reformation, staffing of the medical institutions was bloated, because stuffing structure was regulated by the norms in accordance to the number of population. In accordance with current reform, from 2020 the secondary and tertiary levels of healthcare will be financed accordingly the volume of actually provided medical services. That's why it's highly probable that the staff of medical institutions of these levels will be significantly reduced, because transition to the market relationships will lead to the specialists' cuts or their reassignment.

Problems mentioned above are very painful for the Ukrainian healthcare system and first of all are caused by the lack of the adequate personnel policy in the healthcare field. That's why it's quit natural that the stagnation of this economic field and social welfare area is going on.

Medical establishment, like any other enterprise, could bear significant losses because of inefficient wage bill administration, and labour productivity could reduce because of unfair or non-transparent system of compensations and incentives. Thus, all above mentioned problems cause the necessity of implementation of mechanisms of medical staff's motivation and stimulation.

### **3. System of grades in the healthcare sector.**

We have to propose *the system of grades* as the most optimal system of remuneration. Its goal is the integration of the level of responsibility, uniqueness of the experience, knowledge and skills, results of activity of each representative of the medical staff. Such remuneration system allows to unify appropriately the motivation and stimulation instruments and to build the universal job hierarchy, based on flexible levels of salaries in accordance with the volume of conducted works and provided services by the medical staff, with their internal needs, skills and knowledge.

Thus, grading is a grouping of the positions for specific principles with a purpose of work standardization at the organization.

The main idea of this method is a creation of the basis for the effective managerial decision-making process concerning: (1) the employees' salaries; (2) employment benefits; (3) bonuses and extra-payments.

In this, the main advantages of this method's implementation is the principle of transparency of prospects for the medical establishment's employees [6]: the employee understands, what he / she must do, over what period, that his / her salary will increase. So, the grading allows the employees to overview about the possibility of changes of the salaries' level while different career moves. For the governing body of the medical enterprise it helps to decide about wage indexation and defining of the level of the extra-payments for new positions. For the personnel service of the medical establishment it allows to simplify the administration of the system of the financial incentives. Such a remuneration method allows encouraging the employees to the highly productive work.

Grading system evaluates the activities, which are conducted at the each position in the establishment, on the basis of three groups of factors:

1) Knowledge, qualification and experience, which is necessary for the works execution (i.e., practical procedures, use of up-to-date algorithms, technologies and protocols of medical assistance provision, special methods and approaches, vocational knowledge, communicational skills);

2) Skills, which are necessary for the problems solution in the medical sphere and related to the ability for the analytical and critical thinking and implementation of the innovative technologies of medical assistance provision, complexity of the provided medical services;

3) The level of responsibility, which includes the borders within which medical staff at this position is able to make decisions individually, frameworks of activities and the level of the individual input into the outcomes of the medical establishments' activity and the quality of work.

Simplified grading methodology is following: the position receives from the expert the certain amount of points by each factor, which is considered as the important and actual for the medical establishment. Multi-hazard assessment of the activity reflects the relative weight of each position. In accordance with received point the job positions are counted towards certain grade, which guarantees the certain wages or



employment benefits [6].

It means that employees, who hold the same position, can receive the different salary. Depending on the grade, more will earn that physician, who has the a particular experience, has attended the upgrading courses, got particular medical categories, abide the principle of patient-oriented activity, is able to work in the team, has a significant number of patients' appointments and the quality of his medical services is high. The employees with the same grade (and the same salary) can occupy different positions, for example cardiologist and the head of the department. So, it is possible the situation, when the subordinate is at the same high grade, as the chief, and consequently, he will get the higher salary. It means that he is a unique specialist, who is valuable for the medical establishment.

The algorithm of the grading system implementation consists of the following stages:

1. Training of the working group;
2. Documentation maintainer (concept, standards, etc.);
3. Analysis of the activities' context;
4. Assessment of the positions (questionnaire, interviewing, etc.);
5. Definition of requirements for the positions and the clarification of the factors;
6. Definition of the weight of the reference works with the use of the certain method of assessment of the works' complexity;
7. Allocation of the factors by the levels (ranking);
8. Assessment of the each level;
9. Assessment of the weight of each factor;
10. Calculation of the number of points for each position;
11. Allocation points by the grades;
12. Definition of salaries and calculation system of remuneration;
13. Analysis of the results and correction of the inconsistency.

Such system explains the hierarchy of positions by the context of the activities. Each position of the structure defines the requirements for each position, and allows the employees to define their subordination, degree of responsibility, the need of development [6].

Implementation of grading system is necessary for the big and medium-sized medical institutions and organizations, since it addresses shortcomings of the previous remuneration system of the single wage grid, such as bureaucracy, non-transparency of the inner logics of tariffs and grids construction, rigidity of hierarchical structure. Grading allows building flexibly the structure of the positions at the organization, taking

into account not only the qualification and experience, but also other very important factors, i.e. level of responsibility, level of works' complexity, quality of the conducted medical services, patients' satisfaction, etc. And for the medical staff it gives opportunity to understand, how their salary is formed, how can they change their salary, and what their career development will be.

For example, as a reference framework for wage determination of the physician at the primary level of healthcare sector we can use the following parameters:

1. Organizational work:
  - 1.1. Number of patients, assigned to the physician
  - 1.2. Number of patients, signed the declaration with the physician
  - 1.3. Active campaigning
  - 1.4. etc.
2. Quarterly indicators
  - 2.1. Planned performance
  - 2.2. Fund balance of the drugs, left in warehouse and medical establishment
  - 2.3. etc.
3. Organization of treatment and preventive process
  - 3.1. Total number of treated patients
  - 3.2. Share of treated patients in round-the-clock inpatient facility
  - 3.3. Share of treated patients in day hospital
  - 3.4. Share of treated patients in outpatient conditions
  - 3.5. Protocol's non-compliance
  - 3.6. Share of unreasonable spent funds because of protocol's non-compliance
  - 3.7. Reasonable and rational pharmaceutical order
  - 3.8. Number of pharmaceuticals, non-used more over 3 month
  - 3.9. etc.
4. Results of analysis of patient files and medication's charts
  - 4.1. Unreasonable cancelation of pharmaceuticals and medical items
  - 4.2. Compliance with recommendations on the choice of treatment conditions
  - 4.3. etc.
5. Other:
  - 5.1. Reasonable complaints about the quality of medical services and medical aid
  - 5.2. Out-of-scope work performance
  - 5.3. etc.

By using these indicators we can calculate total number of scores of each employee. Then calculate total wage taking into account this calculated indicator, and also coefficient of complexity of work, base salary, other premium and extra payments.

The presented framework for wage determination of the physician could be supplemented according to the work conditions in the medical institution and the will of the administrator of medical institution

From all of the foregoing it is clear that there is a need of the great changes into the process of wage bill and motivation mechanism formation at the medical establishments. By our opinion, it is necessary partially to learn from the foreign experience of the developed healthcare systems, taking into account our realities and opportunities (financial, human, innovative, etc.). Thus, the essential are the following measures:

- 1) implementation of the measures to curb corruption at all level;
- 2) implementation of the system of the quality appraisalment of the medical services provision and creation of the special service, which goal is to implement in good faith assessment and analysis of the effectiveness and quality of conducted medical services;
- 3) constant and continuous development of the medical staff on the transparent and rating conditions;
- 4) creation of the conditions for organization and implementation of incentives and motives for the medical staff's encouragement, whereby the salary of medical staff must depend on the level of qualification, their input into the outcomes of medical establishment, quality of the medical services, patients' satisfaction by the conducted medical services and medical aid;
- 5) increasing of the wage bill;
- 6) implementation of the wild system of the extra-payments and premiums (benefits for obtaining accommodation, free vacation, free upgrading, etc.);
- 7) improvement of the material and technical basis of the medical establishment, purchase of the modern equipment and innovative technologies with the purpose of the specialists motivation;
- 8) formation of the system of financial and social support of the young specialists.

The measures proposed below are not finite and it is not a panacea, but nevertheless they must become a part of the state and local system of motivation with a purpose of the Ukrainian healthcare system development.

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### **NEW PARADIGM OF LABOR MOTIVATION IN THE SYSTEM OF DEVELOPMENT OF SOCIAL AND LABOR RELATIONS**

Strengthening competitive struggle in world markets and the comprehensive globalization of economic development have put Ukraine at the heart of the need to choose one option for development: 1) to go further through extensive development, losing real economic independence, which threatens to transform the country into raw materials and the supplier of cheap labor; 2) to intensify the inclusion of internal sources of economic growth, primarily, due to the growth of competitiveness through the development of an innovative development model. The second option of development was proclaimed to be the