

MIDDLE-CLASS FORMATION STRATEGY IN THE REGION: PRACTICAL ASPECTS

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Abstract. *The purpose* of this article is to generalize knowledge about the formation of the middle class in the region, practical aspects of this problem. The author shows details of formation strategy, its social aspects in the view of human geography. Also in this paper, the author discloses items in regional development studying, the role of society in it and its structure, tides between processes in society and features of regional placement of productive forces. The main goal of this article is to make an analysis of the middle class in the view of human geography; show aspects of the territorial organization of the middle class, their influence on the economic development. Another purpose of this article is to disclose the essence of the mechanism of interaction between middle class and regional development, the interrelation of these two various processes. *The methodology* of this article is based on the human geography conceptions. The author considers aspects of regional social and economic development of regions: theoretical justification of this process and the analysis of its examples of modern Ukrainian economic activity. The thesis of this analysis is that regional development in the country has to be based on a number of the basic principles (they are picked up for the concrete territory and proved). *Results.* The author pays attention to the social and economic methodology of research of the middle class and regional development. She considers features of spatial manifestation of the middle class, and also categories, which anyway characterize it. Also, the author makes an analysis of indicators of the middle class, which allow identifying it in its relation to other structural elements of society. *Value.* In the article, there are different points of view to strategy as a category, its role in economic policy and state development. Both strategies (development strategy for the territory and strategy as the instrument of regional policy in the country) are also analysed in details. In particular, it is shown how strategy can influence a decision for tasks of regional development, concentration of the available resources. There is analysed in details the available experience of realization of this approach in practice of regional Ukrainian policy. Also, the author describes special cases when regional development and intensive growth of some industry branches did not promote either increase in the middle class or increase in the level of the general wellbeing. In conclusions, the author has noted the prospect of using such a tool as the strategy of the middle-class formation, management of regional development, and potential opportunities in the solution of the available obstacles. The author proves that at our days in Ukraine, increase in the number of the middle class is the most effective tool for the economic growth and regional development.

Key words: human geography, quality of life, middle class, strategy, region, regional development.

JEL Classification: R 120, L1, R58

I. Introduction

Human geography studies of the middle class in the field of Ukrainian geographical science and as in the field of geographical sciences at all are relatively new. The middle class has become the centre of scientific interests of the geographical community a few decades ago. But only over the past ten years, there has been an understanding that it is precisely this element of society that needs to be considered more closely. The urgency of such a research is determined by several circumstances. First, the formation of the middle class and the increase of its share in society are essential, both at the national

level and at the level of the region. A high proportion of the middle class stimulates economic growth due to an increase in aggregate demand in the economy, the entrepreneurial activity of the population. Secondly, the developed middle class positively influences the social sphere, – crime decreases, social and political stability grows. It is now apparent that territorial communities with a high proportion of the middle class show better development than those, in which the income distribution of the population is uneven. However, the mechanism of communication between the characteristics of the middle class and regional

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development is poorly understood. Therefore, the purpose of this article is to highlight peculiarities of the formation of the middle class in the region and the basis for the strategy of such a process. Within the framework of this goal, the following tasks are identified: to establish approaches to the study of the middle class from socio-geographical positions; to formulate the principles of the strategy of its development; to identify the role of the middle class in regional development.

Methodological basis of the research is the traditional methodical apparatus of social geography. The vision of the problems of the middle class, its role in regional development is based on conceptual representations about the territorial organization of society, geographical cluster, and the connections between its separate components. The article has a classic structure. It consistently examines the components of the well-known issues, arguments in favour of different points of view regarding the role of the middle class in the development of the region. The article summarizes the author's vision of the development strategy of the middle class.

2. The middle class in regional development

The question of regional development in social geography is considered in sufficient detail. It is mentioned in many papers (Mezentsev, Podgrusny, Mezentseva, 2015), (Voznyak, 2015). Currently, there is a consensus among researchers (geographers and economists) on the essence of the concept of regional development, methodological and methodological foundations of its provision. There is also an understanding of the fact that the quality of state policy in this area is not good enough. Unfortunately, despite some examples of the implementation of mechanisms for managing regional development (example: the creation of special economic zones, clusters, various forms of border cooperation), a significant progress in the development of an effective mechanism was not achieved. Nevertheless, all researchers point out the need to create and implement various levers of regional development management. It is at the regional level that it is possible to reveal the potential of the community, to enable its most active representatives to realize themselves, as well as to create new "points of growth" for the economy. However, the realities of state policy in the country have quickly changed.

In 2017, the most urgent factor of regional development in Ukraine is the implementation of administrative and territorial reform. After two decades of discussions in the expert and scientific environment, as well as numerous unfinished attempts to reform the administrative-territorial structure of the country, in a rather short period of time, a fundamentally new (for Ukraine) model of the territorial system was developed; mainly on the primary level of management.

Changes have been developed, presented to society, and implemented so quickly that there is currently no unanimous response from the scientific community, as well as a comprehensive understanding of their implications. There are only preliminary assessments and attempts to predict the prospect of the effectiveness of the proposed mechanism (Gubeny, Koverko, 2017). It is anticipated that the redistribution of resources, levers of management, and areas of responsibility from central government to local will promote regional development and release of local initiatives.

As for the role of the middle class, one view dominates among specialists (Andronic, 2015). It consists in recognizing the importance of the development of the middle class for the harmonious, sustainable development of the territorial community. Our point of view to this is the middle class, its size, and activity of its representatives have only a positive impact on the situation in the community (at least, formally). At the same time, our understanding of the problem indicates that, in Ukrainian realities, there are serious obstacles to the development of the middle class. The mechanism for reallocating incomes in Ukraine at the regional level is constructed in such a way that in the presence of economic growth in the region, additional income is concentrated in the most prosperous strata of the population. First of all, among those own the most liquid real estate objects, as well as trade and financial institutions.

3. Middle-class state policy

At present, the study of state policy of the formation of the middle class in Ukraine is reduced to the analysis of foreign experience (Smaglyuk, 2015). It is recognized that domestic policy in this area has no examples of effective mechanisms, nor the experience of successfully implemented projects. At the same time, it is indicated that there is no alternative to effective policy in this direction. It is alleged that due to the high share of the middle class in the country (more than 50% of the population), sustainable economic growth and self-sufficiency of the population can be achieved. The community, the majority of whose members are representatives of the middle class, "feeds themselves". In such a community, there is no need for the state to interfere in one form or another in their life. The middle class can take care of local hospitals, building the network of educational institutions, improving the territory.

The criteria for allocating the middle class have numbers of generally accepted indicators. Of course, the main one is the income per person, as well as the total income per household. But, besides this, there are other indicators that also determine the person's belonging to the middle class. Such indicators are a certain profession, a way of life, type of housing. Naturally, according to

such criteria, the middle class in Ukraine is in the initial condition.

The main lever of middle-class state policy is the creation of a mechanism for the redistribution of income among different groups of the population. It is well-known that society itself does not seek to form a balanced system, in which the political influence, fortunes, and access to state decision-making would be weighed down among different social groups. Moreover, as the practice has shown (particularly in Ukraine), with the insufficient development of state institutions and democratic principles of society, the influence of social groups close to the authorities begins to be used to meet the personal interests of a narrow circle of people. At the same time, it is noted that the community, in which the majority of the population are representatives of the middle class, is able to take over a part of the functions of the state, as well as independently create the preconditions for the economic growth. Channels of such an influence are: real estate market, business activity, high social and migration activity of the population. In the dimension of human geography, such an activity (high proportion of middle-class representatives) is expressed in the high level of population mobility, the emergence of specific areas of development, inhabited by representatives of the middle class.

4. Methodological basis of middle-class identification in the view of human geography

As already noted briefly, the human geography study of the middle class has begun two decades ago, within the framework of research of other problems. Among the representatives of the Ukrainian human geography school, the middle class is objectively considered either in the study of the characteristics of the population or in the context of studying its qualitative characteristics, in particular, the quality of life. Thus, the first attempts of purposeful research of this stratum of society began relatively recently (Mezentseva, 2011). At first glance, the study of this phenomenon can be applied the same approaches as for related phenomena and processes of population geography. As indicators suitable for the study of this problem, it is possible to use some of the data that is available, and which in one way or another relate to the middle class. In addition, in the study of the middle class, you can apply a fairly common approach to the knowledge of a geographical object. The study of regional (territorial) distinctions between middle classes of different communities is also popular among researchers of this problem (Vasilyuk, 2012). They compare the shares of the middle class in several regions.

In human geographic in general, the research on the middle class is much larger. In the leading western geographic schools, an attention was paid much earlier to such a category as the quality of life, and all that

associated with it (Helbum, 1982). Middle class began to be explored as an independent phenomenon much earlier than in the Ukrainian scientific school (Scott, 2006). In the vision of western scientific schools, the middle class was formed an independent, natural community, which begins to affect to environment systematically and significantly. Often, representatives of the middle class of large cities fall in the focus of attention. Their habits, preferences, financial possibilities radically change the internal environment of the city. In particular, one of the most striking examples is the peculiarities of the functioning of the real estate market due to the demand for certain types of housing from the side of the middle class. The same effect can be traced in the field of educational services, demand for tourism, certain types of cars, etc. (Savage, 1995).

However, due to a number of circumstances, a significant contribution to the study of the middle class as an object of human geography was made by representatives of economic sciences, in particular, regional studies (the science of the regional development as independent and unique sociologic and economic systems). For example, (Pavlova, 2015) considered the formal structure of the category of quality of life. It has been allocated components of this category, which correspond to spheres of human life and health care (Libanova, 2013) considered that the quality of life as a comprehensive indicator, having made a thorough overview of the current state of Ukrainian society in the context of this category. The very origin of the concept of the quality of life has sociological and medical roots. It was in the field of medical sciences and public health that the understanding of this category emerged and became widespread (Yagensky, Sicharuk, 2007).

The problem of socio-geographical identification of the middle class is as follows. Unlike other human geographical phenomena and objects, the middle class has no forms of spatial expression. It has a population settlement system but representatives of the middle class do not live separately from other groups of the population. It is only possible to make a distinction between persons belonging to the middle class at the macro level.

If we talk about the special forms of territorial localization of representatives of the middle class, we should mention only the rather conditional forms of "territorial behaviour" – that is, the particularities of the settlement of a certain part of the population (in this case, the middle class), and their behaviour within the city. It can be argued that there are certain places visited by middle-class representatives; there are specific movements of middle-class representatives within the city, residential areas, where the share of residents belonging to the middle class is the highest. But, unlike other phenomena, the middle class cannot be considered completely "torn away" from the region (geographical cluster). Speaking in everyday language,

the middle class is not separated from the rest of society by the wall but, on the contrary, tightly integrated into the social structure, even at the level of personal ties.

The criteria of the middle-class identification are shown in Fig. 1. In this context, the criteria are used to identify the middle class within other disciplines and especially human geography.

The generally accepted criteria for identifying the middle class in other disciplines (primarily in economics and demography) include quality of life, standard of living, income per person, availability of social services. The identification of the middle class is also an important sociological and psychological factor. The fact is that in different countries, people with a very different status can refer to the middle class. That is, belonging to the middle class – this is a matter of lifestyle, identity itself.

Especially human geography criteria for identifying individuals that can be attributed to the community of the middle class are specific territorial forms. That forms the cells of the cluster of middle-class representatives. Quite arbitrary but they can be called “clusters” of the middle class. That is, it is the place of the largest congestion of its representatives. In this respect, such a method can be compared with the approach in medical geography, when within a single community it is necessary to monitor the carriers of a certain disease, and, while taking into account the unity of this group of people with the community, and certain autonomy, to identify the features of their behaviour. Also, to identify the middle class as an independent geographical phenomenon can be on the connections that arise between its cells within the same region. However, in terms of practicality, the middle class is most appropriately identified and investigated on the same methodological basis as other social groups. For example, as is the study of age and gender differences in the community, indicators of education, occupational employment, etc.

5. Formation principles of the middle-class development strategy

The sense of the problem strategy formation for the middle-class development at the regional level has several aspects. The first aspect is that the distribution of income between social groups depends mainly on the macroeconomic situation in the country, and the share of the middle class is approximately the same everywhere. Regional development tools can be done a bit. Under such conditions, the strategy for the middle-class development at the regional level should focus more on taking into account and forecasting national trends.

The second aspect of strategy formation is the mechanism of economic growth, especially at the regional level. It is clear that an increase in the share of the middle class cannot occur due to the administrative regulation of already existing incomes. A more rational way is to redistribute income from future economic growth. In this point of view, the strategy should provide for the appropriate levers of influence in the subject of strategy implementation. If we are talking about the need for the redistribution of incomes between different groups of population, then such a toolbox should contain means of fiscal policy, through which it can be realized.

The third aspect is the necessity to formulate a strategy for each region separately. Since the share of the middle class in each region is determined by its specificity, the strategy of the development of the middle class should also take into account such features. For example, if in the region the most intensive development has become the only one specific direction of economic activity (or mining of certain types of minerals, or tourism), then a strategy for the middle-class development must be provided with an appropriate mechanism. It should ensure a proportional distribution of revenues from such activities to the widest sections of the population.

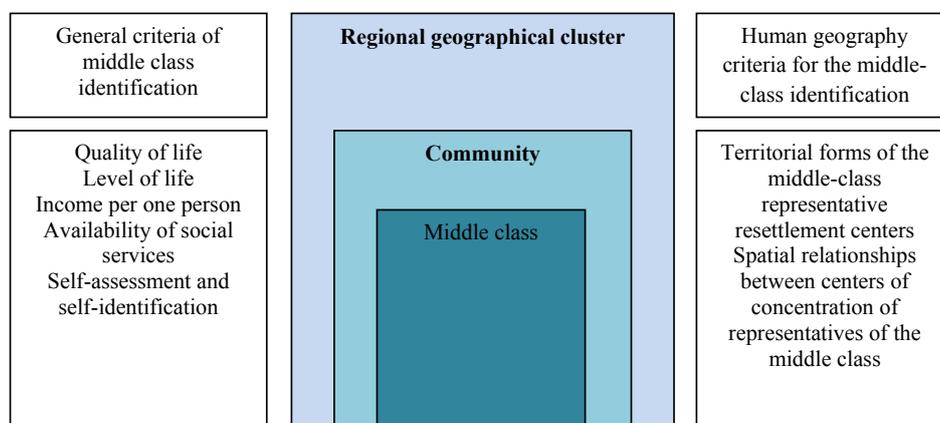


Fig. 1. Criteria for the middle-class identification in human geography view, and their ties with categories “geographical cluster” and “middle class”

Source: made by the author

At present, the practice is widespread, when regional development contributes to the growth of welfare of only certain segments of the population, bypassing the majority. Eventually, this does not result in an increase in the share of the middle class, but in its reduction due to the increase in the wealth of the most prosperous and the number of people who are below the poverty line.

The strategy for middle-class formation in the region should contain the following components (Fig. 2). The subjects of the strategy should be, first and foremost, authorized by the authorities responsible for the development of the territory. They can be either regional subdivisions of central executive bodies, or local administration, or elected representative bodies. Representatives of civil society and business circles may also be involved. In order for such a strategy to be successful, all those actors (who depend on the development of the middle class in the region), who will be involved in the implementation of this strategy and whose resources will be involved in the degeneration of its provisions, should be involved in its design and implementation. Basically, despite the types of the subject of formation, the very strategy of becoming of the middle class should be unique. It is not advisable to parallel development of the strategy by several subjects at once.

The objects of strategy forming for the middle-class development at the regional level should be thrown, first of all, by the interested parties. These parties should include the local community (the process of raising the share of the middle class will undoubtedly contribute to the growth of welfare, the improvement of the social infrastructure of the region, and the general acceleration of economic development). In addition, the objects of strategy formation should include the resources are necessary for its realization, the risks of

its implementation, the time frames. Resources to be involved include mainly the funds of the administrations and authorities that will be “agents” of its implementation. The volume of such resources should not be significantly different from the cost of implementing other state programs. The risks of implementing the strategy are the danger of a significant change in the overall socio-economic situation in the country, the fundamentals of state policy and the occurrence of regional events (natural disasters, for example). The timeframe for the implementation and timeline for implementing the strategy is an important criterion for its effectiveness. The timing of the implementation of the strategy, as well as the timing of the use of certain tools and methods of influencing the formation of the middle class, should be clearly defined. In the case of implementation of such a strategy in Ukraine, terms may be 10, 15, and 20 years. It is this for the most part that the state programs in the country are continuing.

The practical aspects of implementing the middle class forming strategy in the region are that it is necessary to develop an effective mechanism for re-directing existing incomes (private enterprises, households, local budgets) in such a way that they contribute to the formation of the middle class and, consequently, more effective models of regional development. The essence of the situation in Ukraine is that each region in the country has a potential for the growth and can provide the local community with resources for the necessary development. So, everywhere in Ukraine, there are potential growth points – fields of minerals sources, competitive industrial enterprises, territories suitable for the productive agriculture. The problem is that the effectiveness (including in the context of regional development) of such objects is extremely ill.

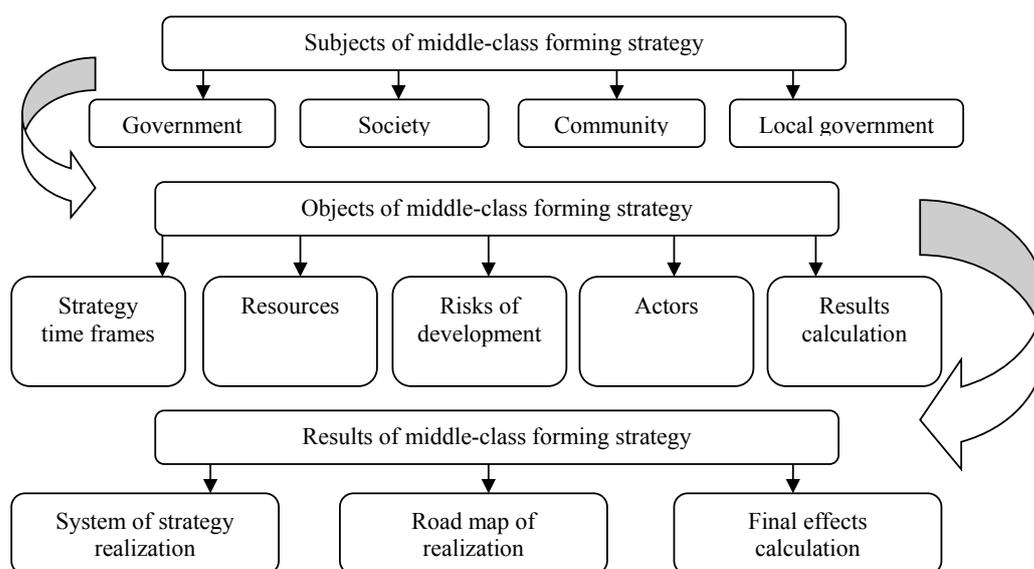


Fig. 2. Principles of middle-class development strategy

Source: made by the author

One of the sides of the current growth of the Ukrainian economy is the uneven distribution of its results. The same can be said about regional development. In addition to well-known aspects of it (for example, ensuring sustainable development, or complex development of all components of the local socio-geographical complex), the fact remains that the need to also seek to increase the size of the middle class. Now in Ukraine, it turns out that in the case of a rapid growth of the economy of the region or its certain industry (tourism, or the production of natural gas), the impact of such a growth is felt not only by a dummy group of the population. Namely, those people are directly working in a growing economic activity, or they are just the most prosperous citizens. Of course, we ignore the situation that has emerged in the eastern parts of Donetsk and Luhansk regions and the Republic of Crimea since 2014 – this is the object of another study, and in those territories, there are now different situation and completely different problems.

5. Conclusion

At present, in Ukraine, everybody can see a fast decline of the middle class, mainly due to the decline in the level of well-being and the transition of households from the category of those that can be attributed to the middle class (to those that can be considered low-income). First of all, the reasons for such a process are the systemic economic crisis in the country. But not least, the absence of a regional mechanism for promoting the middle-class formation also has a weight. Additional revenues, which are coming in one way or another to the region, do not support integrated development. This income becomes the property of a narrow group of people.

The middle-class forming strategy in the region should be based on a number of principles. The main of them is taking into account the characteristics of each region and

its potential; involvement in the process of development and implementation of the strategy of entities, which in the future will become the main beneficiaries of profit; observance of general human geography principles of development strategy (they are time frame, definition of subjects and objects of its realization). Unlike other human geography phenomena, the middle class is more qualitative characteristic of society. It cannot be completely separated from the geographical cluster (even conditionally), as, for example, a large locality, geographical area or industrial complex. The middle class should be considered in the context of regional development. If we talk about the practical speculation in the formation and implementation of the middle-class forming strategy, then on the example of Ukraine and its regions it is clearly seen how significant destructive processes are taking place in the region. Primarily, it happened because of the lack of a social stratum in the structure of society as a middle class. With its insignificant number, there is a series of very negative processes, both purely economic and social. The first should include the slowdown in the economic development of the region, degradation of infrastructure, and a decline in business activity. Among others, we can mention the marginalization of the territorial community, increase the level of crime, and increase the rate of migration. In Ukraine, it is possible to observe all of the divination processes.

The increase of activities of regional development is currently a topical issue since so far more attention has been paid to the economic growth at the national level and attraction of portfolio investments. It was believed that, with high economic growth, the regions developing would begin as a concomitant process. But the experience has shown that this topic requires a special attention, and cannot be regulated by the same tools. In this context, implementation of the middle class increasing mechanism is one of the most effective ones.

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Юлия ПЕРЕГУДА

ФОРМИРОВАНИЯ СРЕДНЕГО КЛАССА В РЕГИОНЕ: ПРАКТИЧЕСКИЕ АСПЕКТЫ

Аннотация. *Целью работы.* Статья посвящена аспектам формирования среднего класса в регионе, в частности, практическим аспектам данной проблемы. В статье с позиций социально-экономической географии раскрываются аспекты формирования стратегии вообще и социально-экономическим аспектам этой проблемы. Так же в данном научном труде анализируются существующие подходы к изучению регионального развития, роль в нем общества и его структуры, связи между процессами в социуме и особенностями регионального размещения производительных сил. Естественно, основной аспект в статье сделан на анализе среднего класса с точки зрения экономической географии. Выделены аспекты территориальных проявлений формирования среднего класса, его влияния на экономическое развитие. Автор статьи в качестве цели задекларировал стремление раскрыть сущность механизма взаимодействия среднего класса и регионального развития, взаимосвязь этих двух различных процессов. *Методология.* В статье рассмотрены аспекты регионального социально-экономического развития регионов, как теоретического обоснования этого процесса, так и анализ его примеров из современной экономической жизни в Украине. В основе этого анализа лежит тезис о том, что региональное развитие в стране должно основываться на ряде принципов (подобранны для конкретной территории и обоснованных). В противном случае такое развитие не будет ни продуктивным, ни долгосрочным, не таким, которое бы в полной мере полностью раскрывает потенциал данной территории. Автор много внимания уделяет социально-экономической методологии исследования среднего класса и регионального развития. Рассмотрены особенности пространственного проявления среднего класса, а так же категории, которые так или иначе его характеризуют. Выполнен анализ показателей среднего класса, которые позволяют его идентифицировать по отношению к другим структурным элементам общества. *Результаты.* В статье изложены различные взгляды на стратегию как категорию, ее роль в экономической политике и государственном строительстве. Так же подробно проанализирована и стратегия развития территории, и стратегия как инструмент реализации политики в стране. В частности, показано, каким образом стратегия может повлиять на эффективное решение задачи регионального развития, концентрации имеющихся ресурсов, достижения максимально возможной эффективности использования имеющегося регионального потенциала. Подробно проанализирован имеющийся опыт реализации отмеченного подхода в практике региональной политики в Украине. Указанно, с какими именно трудностями сталкиваются государственные учреждения, которые внедряют данную политику в стране. Рассмотрены частные случаи того, когда региональное развитие, а так же интенсивный рост отдельных отраслей не способствовал ни увеличению среднего класса, ни повышению уровня общего благополучия. В выводах автор отметил перспективу использования такого инструмента, как стратегия формирования среднего класса в управлении развитием региона, и потенциальных возможностях в решении имеющихся препятствий. Автор доказывает, что в современных условиях в Украине, всяческое содействие увеличению численности среднего класса – основной и наиболее действенный инструмент, который может весомо повлиять на реализацию экономического потенциала региона и экономическому росту.