THE SOCIAL SECTOR INSTITUTIONAL QUALITY: CHARACTERISTICS AND ASSESSMENT

Institutional quality of the social sector: characteristics and assessment

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Global-level strategic objectives set out in the UN Sustainable Development Goals actualize institutional development. An important focus of current institutional research is to analyze the link between institutional quality and economic growth, driven by changing global economic policy priorities. However, the institutional quality issue needs more attention, especially in the context of shaping the strategic vector of Ukraine’s economic development. The institutional quality importance, its assessment, is driven by the need to address the challenge of growth and life quality for many poor countries. The International Monetary Fund projections indicate that improvements in institutional quality in African countries to the south from Sahara up to Asian countries are developing, with per capita income increasing by about 85 per cent over time in African countries [1].

However, the institutional quality understanding is still inconsistent. Traditionally, this concept is investigated in the economic growth context, linked to changes occurring within the institutional structure itself, studied in a global context, exploring the institutions convergence. The challenges range in this direction is expanding, owing to the growing importance of the social sector to generate sustainable, reasonable, and inclusive growth.

Analysis of recent researches and publications

The basic factors of the institutions quality, defined by D. North [2], were reduced to the political executive power limitations. Further studies [3-4] introduce to the factors that determine the institutional quality, the economic power factor, which can be separated from the political. In this case, the institutional quality integral measure according to [3] is the perceived risk of property seizure, which is a consequence of the economic power "functioning".

The institutional quality factor that has a complex impact in work [5] defines the environment for investment, which is based on the level of respect for citizens rights and, accordingly, their capabilities. As a matter of fact, the risk idea is present in this approach, because risk, as the main environmental characteristic of the functionally represents the institutions quality.
A. Savoya and K. Sen [6] state that “If institutional quality is a decisive factor in economic growth, we need to better understand how institutions develop and under what circumstances they change.” One of the important issues in this is whether we observe convergence between institutions, as low-income and low-quality institutions borrow from best practices in rich countries.

The institutional quality issues were investigated holistically both theoretically and empirically by A. Briunskhofd [7]. It is important to note that A. Briunskhofd explores institutional quality in relation to economic growth. Based on the available statistical information, he examines the institutional quality of a comprehensive assessment based on a set of factors represented by the WDI indexes and the ease of doing business indicator. The peculiarity of this approach in comparison with others is, firstly, empirical estimates, not just conceptualization; secondly, the evaluation methodology provides a relative estimate, compared to the average for the sample of countries.

However, one of the most important issues we see in the thesis is: "Although there is a common understanding today that institutions and long-term economic progress are closely linked, there remains much debate about which institutions are concerned" [7]. That is, the issue requires a substantial investigation in the achieving inclusive growth context, or are the incumbent institutions capable of providing not just economic growth but a trajectory of a fundamentally different growth type? Thus, the social development factors weight is increasing.

The aim of the article is to substantiate the social sector institutional quality concept, the factors that determine it and the appropriate assessment.

Unresolved aspects of the problem

The proposed approach to defining the social sector institutional quality o is based on an understanding of institutions as rules, mechanisms that ensure their implementation, and behavioral norms that structure repeated interactions between people [1].

Determining institutional quality is a complex task because of the complex nature of the institutions themselves. Moreover, it is important to formulate such a definition in order to transform the institutional quality conceptual understanding into concrete measures, the basis of which will be the background for decision making in social policy, forecasting, countries’ comparison etc.

The key factors that determine the social sector institutional quality are:
— ability to provide services in accordance with social guarantees (standards). This view is consistent with the V. Easterly’s approach [5], who considers efficient public services as a condition of institutions’ high quality. Such a position is explained by the fact that infrastructure deficits, bureaucracy, etc., which are the result of an inefficient public service system, impede the full use of business opportunities, individual development, etc.
— the ability to change according to the socio-economic development needs. Modern realities testify to the high development dynamics of society and economy under the globalization’s influence, the population’s mobility, growth of informational volumes, access to it and so on. Therefore, the institutions’ quality is increasingly determined by their ability to respond adequately to these changes. The dialectical nature of the institutions’ development is described particularly in the publication [8].
— consistency with the current institutional structure. The institution’s introduction in the institutional structure requires a long, stable functioning, but the development process objectivity requires its constant changes, constant readjustment and possibly complete replacement. Hence, the institutional structure improvement. It is this institution’s capacity that we understand as an institutional quality important factor that requires assessment.

This approach to determining institutional quality requires an appropriate assessment system. Obviously, it is impossible to form a single indicator that would reflect all of these aspects. Therefore, we propose to assess the social sector institutional quality in three directions:
— institutional quality assessment through determining the quality of social service delivery.
— assessment the social sector institutions convergence. This is a dynamic assessment component o aimed at identifying trends in the social sector institutions development in combination with basic institutions.
— institutions’ complementarity assessment. Our theoretical approach is based on a number of empirical studies.

Institutional quality assessment. The measuring element(s) should generalize as much as possible the aspects of the functioning of the social sector as possible, and this is the basic methodological complexity. On the basis of a critical analysis of existing approaches to the construction of indices traditionally used to study economic development and life quality, we propose to create the social sector institutional quality index, the calculation methodology which is based on the principal component method. The methodology for determining this indicator and the empirical studies for 20 countries are presented particularly in the work [9]. The peculiarity of this measuring element is that it integrally characterizes the functioning result of social sector individual institutions of the without using cost indicators. The assessment objectivity is ensured by the fact that the generalized evaluation is based on indicators not provided by the institution’s expert quality by certain criteria, but by indicators provided by official statistics. Their use also makes it possible.
to make an assessment comparable to that of individual countries.

The proposed social sector institutional quality index covers education, health and social protection (a total of 18 indicators). The integral nature of social sector institutional quality assessments categorize countries according to the estimates obtained and allows to reduce errors in the institutional quality measurement.

The social sector institutions convergence assessment.

Under the social sector institutions convergence, we will understand the convergence of social sector institutional development levels in different countries. In institutions convergence assessment, it is necessary to determine its presence and to establish its speed. There is an understanding that the institutional quality convergence is the of globalization processes result, including the dissemination and ideas exchange and increased competition for foreign direct investment between countries. The issue concerning the social parameters convergence development is actualized today for two reasons: 1) Increasing importance of social issues and the need to bring countries closer to social standards; 2) Blurring the boundaries between the commercial and social sectors.

Now It is important to emphasize Ukraine’s particular relevance to development convergence issues, as it has chosen the EU movement as its strategic vector. The institutions convergence in the European Union enlargement context was investigated by the authors in the publication [10]. They observe the reasons and prerequisites for the of countries’ convergence processes on separate parameters in the knowledge economy development. In the end, they confirmed the assumption that convergence depends on the institutions quality in line with the diffusion of the knowledge economy.

Investigations that comprehensively study convergence for European Union countries are [11]. This investigation peculiarity is that the convergence of macroeconomic, institutional and social processes is analyzed on the comprehensive indicator basis. The overall conclusion is that there is conditional convergence between EU countries, but unconditional convergence is not fully confirmed. A. Savoya and K. Sen [6] received the conditional and unconditional convergence confirmation of institutional quality using countries’ larger sample – the results were obtained for both developing and transition economies. The social determinants convergence of development is explored in [12], where the author analyzes and confirms slow convergence in income distribution, but does not confirm convergence in poverty. Canning D. [13] examines convergence at the level of health, resulting in the life expectancy convergence across countries. There are also investigations of social welfare convergence for the 15 EU countries, which have shown a significant level of convergence on this parameter [14]. In addition, this investigation confirms the link between social well-being convergence as well as institutional convergence and other structural factors.

We conducted convergence studies separately for 189 countries in the world (fig. 1) and separately for 40 European countries (fig. 2) at two time intervals of 2000-2010 and 2000-2018.

![Graph](chart.png)

**Fig. 1. The assessment results of β-convergence of economic growth in the world**  
*Source: compiled by the author on the materials [15]*

The results show that there is indeed convergence both in the world and in Europe as a whole, but the pace is negligible – about 1% per year. And if we compare the convergence degree over the last 18 years, its speed is decreasing. Moreover, for European countries, the convergence rate is higher (fig. 2) than in the world as a whole, which can be explained by the smaller difference of the sample countries. Although this parameter comparison for the two periods considered also indicates a decrease in the rate – from 6.1% to 2.8% per year. The social parameters convergence issue of development is now particularly relevant in the context of the direction and social policy instruments choice.
In the publication [14], the institutional convergence issue was studied in the ensuring inclusive growth context. An important result of this study is that the link between social welfare convergence, institutional convergence and other structural factors is confirmed.

We have also analyzed the convergence existence as institutions separately for 189 countries (Fig. 3) and separately for 40 European countries (Fig. 4) at the same time intervals. As a basis for determining the institutional quality indicator, the WGI components were chosen, calculated a single index with an equal fit of the components that make up the. According to many researchers, convergence should be observed as a result of broadening the experience of countries with high levels of socio-economic development in building the institutional structure, we have received somewhat controversial results.

The attained results show that in the world for the countries included in the analysis, the convergence is very low – less than 1% per year. However, comparing the two analyzed periods, we observe an increase in the convergence speed. Although these values do not suggest a sustainable trend toward improving institutional quality.

Assessment results for European countries indicate a reverse process – divergence, i.e. countries widen the gap in institutional quality. This
discrepancy is negligible – 2.6% per year during 2000-2010 and 1.2% during 2010-2017 need to be investigated more thoroughly. In other words, institutional development is uneven in European countries. In order to determine the causes, it is necessary to investigate more thoroughly what are the components that cause this situation. In this context, the social sector institutional quality issue is particularly important, since the issue of the European Union enlargement and the Sustainable Development Goals achievement are determined mainly by the social component.

Consequently, convergence assessment, which importance has been validated by a wide range of studies, is an institutional quality assessment necessary component. Information on convergence in terms of cross-country comparisons gives an opportunity to more fully formulate the socio-economic development trajectories and to develop recommendations for developing countries.

Institutions complementarity assessment. Institutions complementarity as a theoretical concept is used to explain institutional change, the development of institutions [16-18]. In particular, U. Pagano [19] explains institutional changes through institutional complementarity, which creates the basis for effective transformation of institutions, and avoids unpredictable negative consequences in economic reform. Institutions complementarity in R. Boyer’s opinion [16], that most fully explains the economic policy peculiarities and the reforms effectiveness in post-socialist countries. However, complementarity is difficult to assess, as uncertainty and communication weakening between different institutions require different methodologies combination to identify complementarity. Institutions interconnection and complementarity, including political and economic ones, is confirmed by research [20]. Political institutions (political stability, government accountability, etc.) are important for the key economic institutions effective functioning. One also confirms institutions hierarchy by studying the revolutionary and evolutionary type of institutions formation [21; 22].

When assessing institutions complementarity as an institutional quality component, it is important to remember that, firstly, a particular institutional structure is unique in some sense, and its dimensions are determined by specific tasks and the research context, it is therefore difficult to form a universal approach to assessment. The complexity is also due to the fact that complementarity is important to investigate in two planes: horizontal (institutions correspondence of one level) and vertical (institutions correspondence of different levels within an individual country’s institutional structure). An essential element of complementarity assessment should be to assess how social sector institutions are in alignment with the core institutions.

**Conclusions**

Understanding the social sector institutional quality as the ability to comply with standards require the indicator (indicators) identification, which will allow the information base formation for decision-making on the social sector development. Issues to be considered in this information base formation are, first, the measure of institutional quality itself (integral) or a set of individual indicators by area. The latter approach is obviously easier to calculate, but it will allow comparisons between countries, regions and dynamics.

Perspectives for institutional quality studies are the creation of three-way estimates, the study of the link between the social institutions quality and economic growth for countries with different socio-economic models.
All three components of the social sector institutional quality assessment are equally important. We consider developing approaches to assessing complementarity the most difficult. It should be considered as a condition for the institutional change effectiveness and at the same time a factor for institutional quality.

Therefore, for social development processes effective regulation, it is important to understand the existing gaps in institutional quality, social infrastructure etc.

Abstract

An important area of contemporary institutional research is to analyse the interconnection between institutional quality and economic growth, driven by changes in global economic policy priorities. However, the institutional quality issue needs more attention, especially in the shaping the strategic vector context of Ukraine’s economic development. The aim of the article is to substantiate the social sector institutional quality concept, its determinants and proper indicators.

Defining institutional quality is a complex task because of the institutions nature themselves. The key factors that determine the social sector institutional quality are the following: ability to provide services according to social guarantees (standards); ability to change according to the needs of socio-economic development; alignment with the current institutional structure. This approach to the institutional quality definition requires an appropriate evaluation system, which we offer to implement in three directions: institutional quality assessment through defining the social service delivery quality, the social sector institutions convergence assessment, assessing the institutions complementarity.

The article examines the countries’ convergence all over the world (189 countries) and Europe (40 countries) by the economic growth indicators and institutional quality assessed by the WGI index. The convergence results in economic growth indicate that there is convergence both in Europe and in the world, but the pace is negligible, and the convergence speed is declining. The results of institutional quality convergence assessments indicate very low convergence, and for European countries the divergence is observed.

It is important to investigate in two planes: horizontal (institutions correspondence of one level) and vertical (institutions correspondence of different levels within an individual country’s institutional structure)). Perspectives for institutional quality studies are the creation of three-way estimates, the study of the link between the social institutions quality and economic growth for countries with different socio-economic models.

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