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THE POTENTIAL OF SMALL BUSINESS TO IMPROVE THE QUALITATIVE CHARACTERISTICS OF EMPLOYMENT: PROBLEMS OF ESTIMATION AND REALIZATION IN UKRAINE

Abstract. This main objective of this article is defining capacity of small business to act as compensator of negative trends, emerging in sphere of employment in large and medium sized business of Ukrainian economy. Authors are focused not only on the availability of working places created in small business for persons, vacated from large and medium sized enterprises, but on the small business capacity to create economic preconditions for improving qualitative characteristics of employment in this sector and in whole economy.

Authors have built the multiplicative term, which expresses impact, caused by different characteristics of economic activity in small and large and medium sized business on the payroll dynamics as main indicator of economic potential for improvement characteristics of employment in appropriate economy's sector.

The first factor — is the total number of enterprises, as the expression of entrepreneurs' economic activity and their preference to working in the official (registered) sector of the national economy.

Second factor — is the average number of employees in enterprise of certain sector, as the expression of scale of resources, accumulated by average entity for economic activity.

Third, the scale of output, created by unit employee in certain sector, as the expression of productivity level of labor resource, involved in this sector.

Fourth, the volume of payroll is affected by the distribution of total output (which was used for estimation of labor productivity) between different directions of productive consumption, i.e. the share of payroll in the total revenue of small enterprises.

The results obtained by factors analysis didn't prove the thesis about small business capacity to compensate the negative trends, observed concerning employment in sectors of large and middle

business of Ukrainian economy. The trends prevailing in creation and distribution of added value in small business does not contribute to improvement of quantitative and qualitative characteristics of employment in small business and whole Ukrainian economy.

This situation indicates that small businesses in the face of negative macroeconomic dynamics have been unable to accumulate resources (at least by concentrating resources on fewer businesses that will be able to ensure higher efficiency) needed to improve the impact of the small business sector on the reproduction of employment in the economy of Ukraine. In addition, the significant lag in the level of wages in small business from large and medium and from the average level of the economy remains an important element of the mechanism for reproducing the low level of wages in Ukraine.

Keywords: small businesses, payroll, number of employees, labor productivity, divergence of employment characteristics in large and small businesses.

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ПОТЕНЦІАЛ МАЛОГО БІЗНЕСУ ЩОДО ПОЛІПШЕННЯ ЯКІСНИХ І КІЛЬКІСНИХ ХАРАКТЕРИСТИК ЗАЙНЯТОСТІ НАСЕЛЕННЯ: ПРОБЛЕМИ ОЦІНКИ І РЕАЛІЗАЦІЇ В УКРАЇНІ

Анотація. Основна мета статті — визначення здатності малого бізнесу виступати компенсатором негативних тенденцій, що виникають у сфері зайнятості у великому і середньому бізнесі української економіки. Орієнтовано не лише на наявність робочих місць, створених у малому бізнесі для осіб, які звільняються з великих і середніх підприємств, а й на спроможність малого бізнесу створити економічні передумови для поліпшення якісних характеристик зайнятості в цій галузі та в цілому в економіці.

Побудовано мультиплікативний термін, який виражає вплив, спричинений різними характеристиками економічної діяльності в малому, великому і середньому бізнесі, на динаміку заробітної плати як основний показник економічного потенціалу для поліпшення характеристик зайнятості у відповідному секторі економіки.

Перший фактор — це загальна кількість підприємств як вираження економічної діяльності підприємців та їхньої переваги роботі в офіційному (зареєстрованому) секторі національної економіки.

Другий фактор — це середня кількість працівників на підприємстві певного сектору як вираження масштабу ресурсів, накопичених середнім суб'єктом господарської діяльності.

По-третє, масштаб випуску, створений підрозділом працівника в певному секторі, як вираження рівня продуктивності праці, задіяного в цьому секторі.

По-четверте, на обсяг заробітної плати впливає розподіл загальної продукції (яка використовувалась для оцінки продуктивності праці) між різними напрямами продуктивного споживання, тобто частка заробітної плати в загальному доході малих підприємств.

Результати, отримані факторним аналізом, не підтвердили тезу про спроможність малого бізнесу компенсувати негативні тенденції, що спостерігаються щодо зайнятості в секторах великого і середнього бізнесу української економіки. Тенденції, що склалися у створенні та розподілі доданої вартості в малому бізнесі, не сприяють поліпшенню кількісних та якісних характеристик зайнятості в малому бізнесі та в цілому в українській економіці.

Така ситуація свідчить, що малий бізнес в умовах негативної макроекономічної динаміки виявився неспроможним накопичувати ресурси (хоча б шляхом концентрації ресурсів на меншій кількості суб'єктів господарювання, що виявляться здатними забезпечувати вищу ефективність їх використання) потрібні для поліпшення впливу сектору малого бізнесу на відтворення зайнятості в економіці України. Крім того, вагоме відставання рівня оплати праці в малому бізнесі від великого і середнього та від середнього в економіці рівня залишається важливим елементом механізму відтворення заниженого рівня оплати праці в Україні.

Ключові слова: малий бізнес, фонд оплати праці, кількість працюючих, продуктивність праці, розбіжність характеристик зайнятості у великих і малих підприємств.

Формул: 1; рис.: 0; табл.: 3; бібл.: 18.

Introduction. Expanding the share of employment in small businesses, amidst the dominance of displacement the labor by capital in large and medium business, has become a modern form of employment adaptation to new stage of technological progress in developed economies. Correspondingly, the qualitative characteristics of jobs, created and operating in small business have increasing impact on the employment parameters in the whole economy.

In Ukraine, the characteristics of small businesses differ significantly from analogous indicators of the developed countries, not only in absolute values (the average output, productivity and profitability of labor, level of wage, innovation activity, etc. are much less than in developed countries) but also in the ratio of these parameters with the characteristics of large and medium enterprises. Actually clarify these ratios is subject of this article: How do the characteristics of employment reproduction in small businesses correlate with similar characteristics for large and medium businesses? We believe such ratios are important because the ability of small businesses to perform their social functions, including the interaction with large and medium-sized businesses is determined by such interrelations. Accordingly, the explanation of the role of domestic small business in the reproduction of employment sphere should consider such ratios and be based on certain general principles of their interpretation. In this article our attention is focused on the ratio of employment scale and wages in the sector of small and sector of large and medium business in Ukrainian economy.

Problem analysis and problem statement. Explanation and simulation distribution of employment between sectors of large and small businesses are occurred in literature mainly in the

context of the study on differences inherent to these sectors' reactions to changes in macroeconomic and institutional conditions of economic activity. In particular, a number of models differently describing the reaction of large and small businesses to cyclical fluctuations in economic activity were built. Many works devoted to the investigating forms of participation of each sector in shaping macroeconomic trends and specific of large and small businesses adaptation to the process of inter-sectoral and intra-industry international trade, interstate economic integration [1—4].

Based on researches of the interaction between large and small business both foreign and domestic scientists consider the small business as more sensitive to adverse cyclical fluctuations (the industries and markets «cleaning» from entities which are unable to comply updated requirements to the efficiency of operating, concerns especially small business) and more dynamically captures new sectors and market niches, in times of major structural changes in the economy [5—7]. Empirical studies on the processes of creating and eliminating jobs as the basis of employment reproduction in large and small businesses, showed mainly higher activity inherent to small businesses in jobs creation, in upgrading their organizational and technical conditions and requirements for qualification characteristics of workers.

In particular, a number of studies conducted in the late twentieth century were devoted to modeling the parameters of jobs creation and liquidation in sectors of small and large business. For example, in [8] was found that the gross rate of job creation (the ratio of the total amount working places created during the period to the average number of employees for that period) is reduced in the Canada economy with moving from companies with smaller-scale of economic activities to companies with larger scale. Similarly, the job creation net rate (the ratio of surplus of jobs created over the number of jobs eliminated to the average number of employees for that period) decreases with increasing scale business enterprises.

Similar results were obtained for Denmark [9]; for Germany — [10] (concerning the net level of job creation the highest figure was for enterprises with 20 to 49 employees); for Netherlands — [11] (concerning the net level of job creation revealed that firms with number of employees less than 100 persons have such level higher than companies with number of employees more than 100 persons); for US — [12].

Researches devoted to the role of small business' employment in the reconstruction of the Ukrainian economy largely ascertain the significant underutilization of its potential for solving the employment policy tasks. In particular, despite the clear predominance of small businesses (including sector of self-employment) in total amount of jobs created, low average duration of their existence and worse than average economy qualitative characteristics of their functioning (first of all, the level of productivity and wages) do not allow this sector make strong positive impact on the process of employment reproduction [13; 14]. Highlighting a number of features inherent to small business in Ukraine and factors of their formation and spreading, domestic researchers are solidarity in assessing the role of small businesses as an important sphere of employment for people vacated by large and medium-sized enterprises, which however still has a very low productivity and the level of salaries. Accordingly, the redistribution of total employment to small businesses in Ukraine may not cause a positive impact on the socio-economic efficiency of domestic production until there will be a radical qualitative changes in the functioning of small businesses and areas of self-employment that will reduce their lag behind in productivity and rate of return [7; 15]. But is tendency to convergence levels of labor productivity and salaries in small and large business observed in Ukrainian economy during recent years, or divergence of this characteristics prevails in Ukrainian economy?

We will try in this paper to clarify the ratio between the characteristics of employment reproduction in small and large businesses using statistic data of recent years. Also this article authors efforts are devoted to the estimating impact of different factors on dynamics such characteristics over the recent years. As the result we expect to define which characteristics of employment reproduction contributes to the convergence of labor productivity and salaries in small and large business and which causing further divergence of such figures in small and large business.

Research results. This article authors have focused on the ability of small businesses to provide productivity (yield) of labor at level higher than necessary wage for compensate «burdens of work» for used number of employees. This is actually based on the concept of markets' tendency to equilibrium conditions, which are determined by the equity of marginal product of labor with its remuneration. Through the law of diminishing marginal labor productivity, yields will fall with saturation of a particular sector (any industry or field of activity small businesses in general) by labor resources. Wages should remain at a level necessary to compensate for employee refusal of the better alternative employment opportunities. Based on this methodological framework, expansion of employment will continue so far as the entrepreneur would provide excess yield of labor above its salary [16].

Accordingly, the size of payroll (total labor costs) may be considered as the indicator of small business opportunities to expand the number of employees. Increasing of payrolls' total amount in small business reflects the growing of its potential to procure expanding of employment in the first turn, through the direct connection: the higher payroll — more jobs given that constant average wage. Second, due to the increasing the size of the payroll indicates an improvement of the small businesses ability to provide labor productive and gains enough for making hiring more labor reasonable. This means that common for the small business sector model of the organizational and technical options adaptation to industry and macroeconomic conditions are involving the expansion of employment.

So in this research we will focus attention on factors and the dynamics of payroll size in small business sector, compared with analogous indicators for the sector of large and medium-sized businesses.

For factor analysis of the payroll size and dynamics we offer multiplicative chain of indicators that reflect the following logic.

The volume of payroll created by the small business activities, might be considered as the result of following factors. Firstly, the total number of small enterprises, as the expression of entrepreneurs' economic activity and their preference to working in the official (registered) sector of the national economy. The logic of this factor impact is follow: all other things being equal, the greater number of registered small enterprises, the greater the payroll will be created, so higher the potential of small business to expand its own employment and "absorption" of labor resources that are discharged (idle) in sector of large and medium businesses.

Second factor is the average number of employees in small enterprise. The logic of this factor impact — other things being equal, increasing size of small businesses, expand of employment on typical small enterprise, reflects the small business ability to growing the payroll, ratably to number of employees growth. For example, even in the face of reducing the total number of registered small enterprises, scope of employment in relevant sector may be increased due to the trend of growth average number of employees in small enterprise.

Third, the scale of payroll, created by small business is under influence of productivity level of labor resource, involved in this sector. Clearly, other things being equal, higher labor productivity leads to growth of total gross value added created by small businesses and respectively — to increment of payroll.

Fourth, the volume of payroll is affected by the distribution of total output (which was used for estimation of labor productivity) between different directions of productive consumption, i.e. the share of payroll in the total revenue of small enterprises. The logic of this factor impact is as follows: the greater share of the output value remains as the payroll in a particular sector, the higher will be the payroll as part of sector's output, so the better, other things being equal, will be conditions for reproduction and development employment in that sector.

Schematically, the logic of building the chain of indicators for factor analysis of payroll dynamics, observed in the small business is presented in *Table. 1*.

Table 1

The logical structure of indicators' chain for factor analysis of payroll reproduction

in small businesses

Factor indicators	The number of registered small enterprises (including micro)	The average number of employees in small enterprise	The average labor productivity (revenue by sales) in the sector of small business	Average share of payroll in revenues of small business
Are directly characterizing	entrepreneurs' economic activity in small business sector and their preference to working in the official (registered) sector of the national economy	The scale of economic activity and, other things being equal - the amount of resources, accumulated by typical small enterprise	Amount of revenue by sales per employee in small business	Small businesses position in the chain of added value creation and the proportion of revenue distribution between direction of using for reproduction of resource set
Are expressing the following characteristics' impact on the target indicator (size of payroll)	Macroeconomic conditions, the way of small and large business interaction and small business specific capabilities to adapt to changes in the macroeconomic conditions of operating	The processes of finding the optimal scale of economic activity and structural changes within the small business sector (reallocation of workers between small and micro-enterprises, and small enterprises with different scales of activity)	The gains in performance and efficiency of the formation (in reporting and in prior periods) and using (during the reporting period) sphere of employment in small businesses	

So we got a multiplicative term that has the least requirements for mathematical tools for dividing the impact of certain factors: suitable for treatment and correct results might be obtained even with the "textbook" method of chain substitutions:

$$P = NE \cdot ANE \cdot PLPP \cdot SVA,$$

where P — payroll, created by economic sector (in this work — the sector of small businesses and sector of large and medium-sized enterprises);

NE — the number of registered enterprises in the sector;

ANE — the average number of employees in the enterprise (the ratio of total employment to total number of registered enterprises);

$PLPP$ — the average productivity per employee (ratio of output by the year to the number of employees);

SVA — the average share of payroll in output.

These calculations were carried out by method of chain substitutions, which is based on the traditional approach of domestic economic statistics [18]. We get a series of calculations, which allow us to assess the power of impact of each factor included in the term.

Demographic and related with economic activity of population factors of employment scale in the small business did not contribute to its expansion and does not give reason to expect improvement of their impact in the future.

The structural changes in Ukrainian economy, observed during the retrospective period do not give reason to consider them as a factor of the increasing employment in small business.

Therefore, capacity of small businesses to expand the scope of employment is mainly determined by the economic opportunities of small enterprises. Accordingly, the size of payroll (total labor costs) may be considered as the main indicator of small business opportunities to expand the number of employees. And we will use this figure as the dependent indicator, the changes of which reflect the influence of various factors on the expansion and the qualitative transformation of employment in the small and large business sectors in the Ukrainian economy.

The calculations, made by method of chain substitutions for the period 2013—2014, are shown in *Table 2*.

Table 2

Factor analysis of payroll dynamics by sectors of Ukrainian economy in 2013—2014

Economic sector	Number of enterprises		the average number of employees in the enterprise		average labor productivity		Average share of payroll in output		Payroll, million UAH		reporting period figure's deviation compared base period	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014**	Mln. Hrn.	% of bas. year
Large and medium business	19869,0	17115,0	273,7	273,5	625,4	641,1	0,094	0,087	319220,6	260601,7	-58618,9	-18,4
Small business	1702201,0	1915046,0	2,5	2,1	217,6	205,7	0,087	0,077	81576,1	65069,0	-16507,1	-20,2

Calculations for estimating factors' impact

Substitution for estimating impact	Number of enterprises		the average number of employees		average labor productivity		Average share of payroll in output		Fitted value of dependent variable	Factor's impact	
	2013	2014	2013	2014	2013	2014	2013	2014		Mln. Hrn.	% of bas. year
				Used in calculations							
Number of enterprises:											
Large and medium business		17115,0	273,7		625,4		0,094		274974,1	-44246,5	-13,9
Small business		1915046,0	2,5		217,6		0,087		91776,5	10200,4	12,5
Average number of employees											
Large and medium business		17115,0		273,5	625,4		0,094		274817,7	-156,4	-0,05
Small business		1915046,0		2,1	217,6		0,087		78230,3	-13546,1	-16,6
Labor productivity											
Large and medium business		17115,0		273,5		641,1	0,094		281717,9	6900,2	2,2
Small business		1915046,0		2,1		205,7	0,087		73971,7	-4258,6	-5,2
Share of payroll in output											
Large and medium business		17115,0		273,5		641,1		0,087	260601,7	-21116,2	-6,6
Small business		1915046,0		2,1		205,7		0,077	65069,0	-8902,7	-10,9
Total factors' impact											
Large and medium business										**-58618,9**	**-18,4**
Small business										**-16507,1**	**-20,2**

Note: developed by author based on data [17] in prices of base period (2013).

Despite the common dynamics of total payroll in small businesses and in the sector of large and medium enterprises, a factors of this dynamic acted differently in these sectors.

According to the data, shown in the table, in 2014 the real payroll, generated by small business decreased compared to 2013 by 20.4%. A similar index for large and medium-sized businesses was 18.2%.

The total number of entities in the sector of large and medium-sized businesses contracted (it predetermined reduction of payroll by 13.9%) and increased — in the small business sector (led to the growth of payroll by 12.5%).

The average number of employees in one small business entity decreased (caused reducing the size of payroll by 16.6%) and in the sector of large and medium-sized businesses remained almost unchanged (a reduction of payroll less than ten percent).

Accordingly, for the small business sector in 2014 was characterized by a tendency to downsizing of economic activity scope: the growth of the total number of entities accompanied by reduction in the average number of employees in one).

This dynamic does not correspond to the traditional ideas about restructuring of industries and sectors amidst the deteriorating of macroeconomic conditions (reducing the total number of business entities due to the exclusion of those who are unable to comply with new, higher requirements for effectiveness and strengthening of resources' provision for those that remain).

In the small business sector of the Ukrainian economy the concentrating of resources on fewer number of entities was not observed and in large and medium-sized businesses reducing the total number of entities was not accompanied by an expanding of the scale of employment for remaining ones.

In the small business labor productivity dynamics didn't cause a positive impact on the ability of this sector to expand the scope of employment. Reducing of real productivity led to a payroll decreasing by 5.2%, in contrast to the sector of large and medium businesses, where productivity increased, (it caused increasing of the payroll by 2.2%).

Finally, the proportions of revenue using were not conducive to the expansion of the employment scope neither in small, nor in large and medium business. The share of labor costs as part of revenue was declining in both sectors (it caused a decreasing of payroll by 10.9% in first of these sectors and decreasing by 6.6% in the second).

In addition, it is important that amidst the employment reduction in both sectors of the Ukrainian economy, neither increasing of productivity, nor other preconditions of improve rate of remuneration in small businesses are not observed, hence the improvement of qualitative characteristics of employment in small businesses are not proved. Less number of functioning jobs did not cause increasing of average productivity or wages. Real wages in small businesses (real average monthly salary) decreased in 2014 comparing 2013 by 16.8%.

So small business in 2014 was unable to act as a «compensator» of negative trends concerning the scale of employment in large and medium-sized business — scale of employment in small business decreased compared to the base year, improvement of qualitative characteristics was not observed, thus static data show zero compensation effect of the employment reproduction in small business concerning negative trends in employment in the large and medium business.

The negative trends of forming both surveyed sectors' capacity to expand employment continued and intensified in 2015 (*Tabl. 3*). The real volume of payroll in the small business decreased in 2015 comparing with 2014 by 22.8% (again, more than analogous figure for the sector of large and medium-sized businesses — 20.9%).

Similarly to the situation in 2014 the total number of entities in small business increased (it led to growth of payroll by 2.3%), but the average number of employees in an entity in the small business decreased (it predetermined decreasing of payroll in small business by 9%). Accordingly, the total number of employees in small businesses of the Ukrainian economy declined for the second year in a row.

Table 3

Factor analysis of payroll dynamics by sectors of Ukrainian economy in 2014—2015

Economic sector	Number of enterprises		the average number of employees in the enterprise		average labor productivity		Average share of payroll in output		Payroll, million UAH		reporting period figure's deviation compared base period	
	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	Mln. Hrn.	% of bas. year
Large and medium business	17115,0	15933,0	273,5	272,5	743,0	705,3	0,087	0,078	302037,4	238928,2	-63109,2	-20,9
Small business	1915046,0	1958385,0	2,1	2,0	238,5	248,3	0,077	0,061	75415,0	58226,7	-17188,3	-22,8

Calculations for estimating factors' impact

Substitution for estimating impact	Number of enterprises		the average number of employees in the enterprise		average labor productivity		Average share of payroll in output		Fitted value of dependent variable	Factor's impact	
	2014	2015	2014	2015	2014	2015	2014	2015		Mln. Hrn.	% of bas. year
Number of enterprises:											
Large and medium business		15933,0	273,5		743,0		0,087		281178,0	-20859,4	-6,9
Small business		1958385,0	2,1		238,5		0,077		77121,7	1706,7	2,3
Average number of employees:											
Large and medium business		15933,0		272,5	743,0		0,087		280088,6	-1089,4	-0,4
Small business		1958385,0		2,0	238,5		0,077		70347,9	-6773,8	-9,0
Labor productivity:											
Large and medium business		15933,0		272,5		705,3	0,087		265865,1	-14223,5	-4,7
Small business		1958385,0		2,0		248,3	0,077		73241,3	2893,4	3,8
Share of paroll in output:											
Large and medium business		15933,0		272,5		705,3		0,078	238928,2	-26936,9	-8,9
Small business		1958385,0		2,0		248,3		0,061	58226,7	-15014,6	-19,9
Total factors' impact											
Large and medium business										-63109,2	-20,9
Small business										-17188,3	-22,8

Note: developed by author based on data [17] in prices of base period (2014).

The dynamics of real productivity in the small business sector in 2015 compared to 2014 was positive (it resulted growth of payroll by 3.8%). However, important that rate of productivity growth below than rate of number of employees reduction. According to it, productivity growth was the result of matching smaller sector's output with more dynamic decreasing number of employees.

Increasing of labor productivity was caused by keep constant (slow contraction) of production volumes, created with much smaller number of employees. It is difficult enough to recognize this trend as positive and sufficiently for statement about the growth of small businesses potential to expand the scope of employment in Ukraine.

Moreover, the burden of reducing scale of sectors' output was shifted mainly on the payroll. The share of such costs in the small business revenue in 2015 declined again, (it led to the reducing the size of payroll by 19.9%).

So, the size of payroll in small businesses has been reducing for two years having lost nearly 40% (38.4%).

Real wages in small business also declined in 2015 (by 17.23% compared to 2014). Accordingly, reduction in two years reached 31.2%.

This situation shows that small businesses in terms of negative macroeconomic dynamics have showed almost no ability to compensate (or at least mitigate) the negative effects of curtailing economic activity in the sector of large and medium-sized businesses. In addition, there were no signs, which would confirm that decreasing scale of employment in small business is accompanied by an improvement of the qualitative parameters of labor using. On the contrary, the dynamics of labor productivity (total for two years) is negative, the share of wages in income — negative, the size of the average wage — negative.

The exceeding of wages' decline pace in small businesses over the sector of large and medium enterprises increases unfavorable for small business differentiation wages. Even without considering the skill level differences of the labor employed in the sectors of small and large businesses, we observe that wage in the small business was three and a half times lower than in large and medium-sized businesses in 2014 and 3.6 times — in 2015.

This significant backlog of wages in small businesses compared with large and with average level in the economy is an important element of the mechanism of reproduction undervalued wages in Ukraine. Thus, for a large group of employees of large and medium-sized enterprises, the prospects for self-employment or employment in small businesses plays role of best alternative employment. Accordingly, the higher the level of income given by self-employed or work in small businesses — the higher salary in large business should be to divert workers from such alternatives. So low income of small businesses significantly mitigate the market position of workers for whom employment in this sector acts as a better alternative for employment in large and medium-sized enterprises.

Conclusions. 1. The number of economically active population in Ukraine, the scale of its employment sphere in general and in small businesses particularly have experienced a dramatic reduction during the study period (2010 to 2015). The number of economically active population declined by almost 18% (i.e. an average of 1.8% per year, which is a very high average rate of reduction for five years). The number of employed in the economy — by 18.9% (1.8% annual reduction); the number of employed in small businesses — 22.6% (1.9% annual reduction); the number of employed in the sector of large and medium-sized enterprises — 25.3% (1.9% annual reduction).

The reduction rate of economically active population was so high, that despite the severe stagnation of employment in all sectors, the reducing number of unemployed was recorded also: during the study period a total number of unemployed decreased by 7.3%.

These data indicate that demographic and related with economic activity of population factors of employment scale in the small business did not contribute to its expansion and does not give reason to expect improvement of their impact in the future.

2. The share of small business in the total number of employment decreased from 24.5% to 23.3% over five years with mainly negative macroeconomic dynamics. This employment

decreasing in small businesses was not accompanied by improved of both, absolute values of quality employment characteristics and their ratio to analogous characteristics of large and medium-sized businesses. In particular, there is no convergence of productivity and average size of wage in the small business with large. These figures for small business remain in two - three times lower compared to large and medium.

So small business over the past five years was unable to act as a «compensator» of negative trends concerning the scale of employment in large and medium-sized business — scale of employment in small business decreased, improvement of qualitative characteristics was not observed, thus static data show zero compensation effect of the employment reproduction in small business concerning negative trends in employment in the large and medium business.

3. The size of payroll in small businesses has been reducing for two years having lost nearly 40% (38.4%). Real wages in small business also declined and reduction in two years reached 31.2%. There were no signs, which would confirm that decreasing scale of employment in small business is accompanied by an improvement of the qualitative parameters of labor using. On the contrary, the dynamics of labor productivity (total for two years) is negative, the share of wages in income — negative, the size of the average wage — negative.

The exceeding of wages' decline pace in small businesses over the sector of large and medium enterprises increases unfavorable for small business differentiation wages. Even without considering the skill level differences of the labor employed in the sectors of small and large businesses, we observe that wage in the small business was three and a half times lower than in large and medium-sized businesses in 2014 and 3.6 times — in 2015.

This significant backlog of wages in small businesses compared with large and with average level in the economy is an important element of the mechanism of reproduction undervalued wages in Ukraine.

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