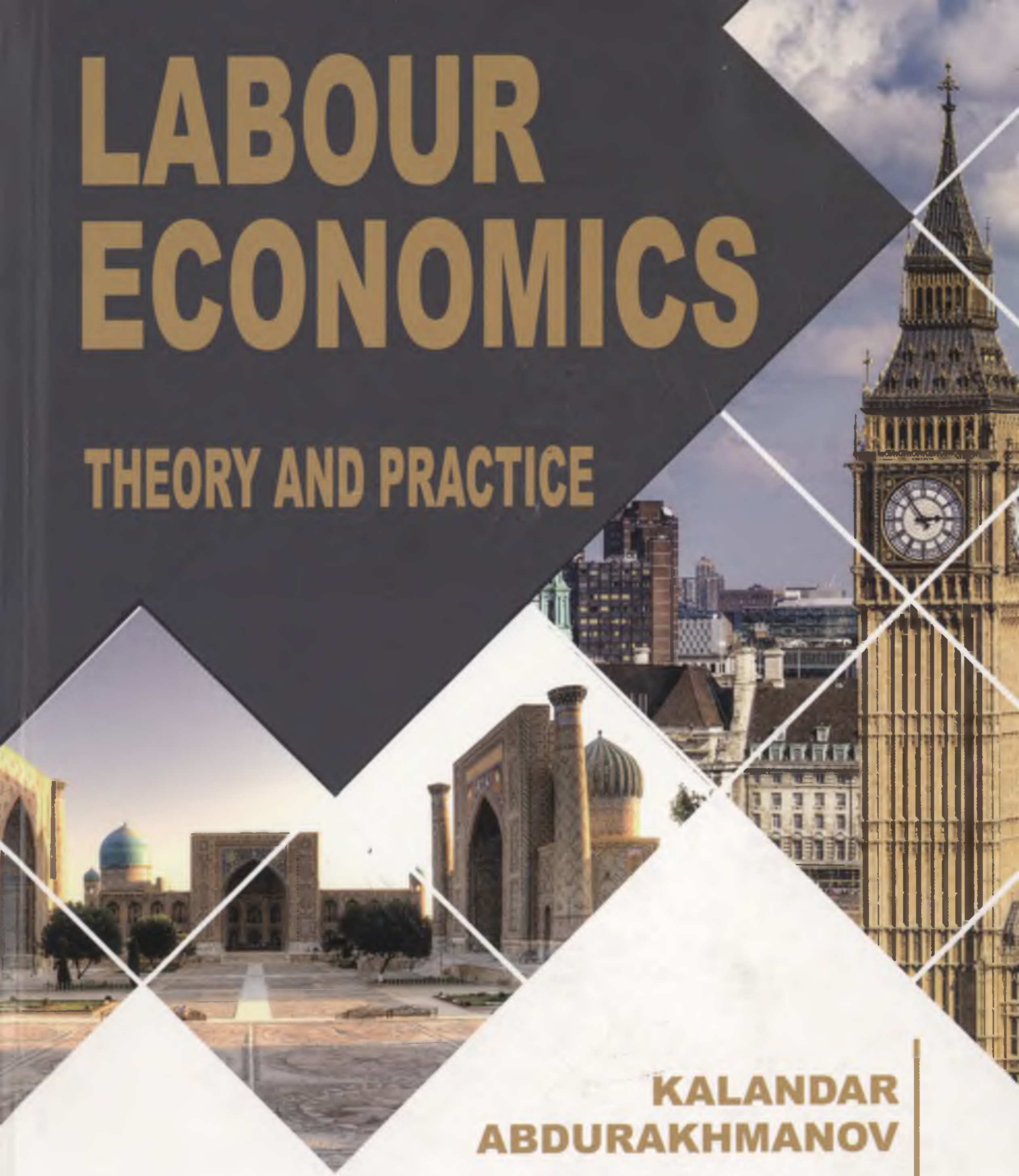
LABOUR ECONOMICS

THEORY AND PRACTICE



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Scientific Publishing House IVG

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London
2020 United Kingdom

Title:
Labour Economics. Theory and practice

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Publisher:
Scientific Publishing House IVG
London

Address:
GB Global Business LTD
Department: Scientific Publishing House IVG
London United Kingdom
e-mail: office@publishinghouseivg.co.uk
www.publishinghouseivg.co.uk

Scientific Publishing House IVG
Szczecin Poland
e-mail: biuro@wydawnictwoivg.pl
www.wydawnictwoivg.pl

ISBN UK Print 978-1-912966-00-4
ISBN UK E-Book 978-1-912966-01-1
ISBN PL Print 978-83-62062-74-4
ISBN PL E-Book 978-83-62062-81-2

Printed in the London United Kingdom - First printed

Abdurakhmanov,
Labour Economics. Teory and practice: textbook: /K.Kh. Abdurakhmanov

Issues of labour economics and evolution of the economic views of Eastern thinkers, the process of attracting and using labour power, new forms of employment, the labour market, the economics of social and labour relations, organisation and wages, incomes of workers, level and quality of life of the population, as well as strategy of decent work in innovative conditions of economic development are considered in the textbook.

For students of economic specialization of Central Asia studying in Europe and the United States and the widest range of readers interested in problems of Economics Republic of Uzbekistan.

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PREFACE

Why is it necessary to study labour economics?

A fundamental work of prominent economist of modern Uzbekistan Doctor of Economics, Professor, Academician K. Kh. Abdurakhmanov is a thorough scientific research, textbook and a kind of lecture course as well. Kalandar Khodjaevich made a great contribution to the development of higher economic education and economic science, formation and development of Plekhanov Russian University of Economics in Uzbekistan.

Issues of labour economics arouse a great interest today, and no one denies their political and social, scientific, theoretical, practical, applied and educational significance both for individual countries and for the whole world.

Being a branch of economic knowledge based on strong centuries-old traditions, labour economics performs everything to promote resolution of modern problems and improve our understanding of science and labour thanks to patient work and thorough research.

The book of academician K.Kh. Abdurakhmanov examines the issues of labour economics and evolution of economic views of Eastern thinkers, process of attracting and using force, new forms of employment, labour market, economy of social and labour relations, organization and remuneration of labour, employees revenues, level and quality of population life, as well as decent work strategy in innovative conditions of economic development.

Why are students not so interested in labour economics?

As the book of Academician K.Kh. Abdurakhmanov is in your hands you probably have at least a little interest in its theme: "Labour Economics". You probably have some anticipation. Labour economics is indeed difficult according to common conception. Although it is not such a puzzling discipline as mathematics or physics, it still requires effort to understand it. Some of you probably remember speeches of economists on television or social networks: their statements did not probably inspire with confidence although you trust them. They are professionals after all and you have not read a single book on labour economics.

Is labour economics so complicated? Of course, no if you explain it simply and easily. I would risk to express the idea that 95 % of labour economics is just a common sense which was given a complex form with the help of special economic terminology and not only.

Labour economics is not the only area that seems more confusing for non-economists than it actually is. In any profession that requires certain specialized training, whether it is economics or medicine, a professional language that facilitates communication between specialists is difficult for outsiders to understand the subject. If to be honest all natural (technical) sciences (disciplines) have an occasion to seem more complex than they actually are which experts charge for their services.

Even taking into account above mentioned, labour economics has clearly achieved great success in striving to prevent general public from entering its territory. People tend to express firm opinion on wide variety of issues: climate change, conflicts in different regions of the world and nuclear power plants in spite of the lack of relevant economic knowledge. But when it comes to labour economics many people do not even show interest or tell their own opinion. Could you remember the last time when you discussed labour market or labour resources, employment or unemployment, decent work or labour migration? These issues can have a huge impact directly on you, wherever you live. They will probably have positively or negatively effect on employment prospects, salaries and even on your retirement, but you did not likely think about it seriously.

This strange situation is only explained by the fact that issues of labour economics do not affect our feelings, in contrast to the issues of love and family, death and war. It has happened because people believed - especially last few decades - that labour economics is the same science as physics or chemistry, and there is only one correct answer to all questions. Therefore, non-specialists should simply take for granted the views of professional economists and stop bothering about too complex issues of labour economics. Professor of Economics of Harvard University, author of one of the most popular textbooks on Economics, **Gregory Mankiw** writes: "Economists like to represent themselves as scientists. I often do it. While lecturing to undergraduates, I present completely consciously economics as a science, so that students begin to study this course with thought that they start comprehending some kind of ephemeral discipline"[1].

Reading the book of Academician K. Kh. Abdurakhmanov you will understand that labour economics will never become a science in that sense which we mean talking about mathematics, physics or chemistry. There are many different schools (concepts) of economics of labour, each of them emphasizes various aspects of complex economic reality and labour market, expressing various economic and ethical, political and legal value judgments and making certain scientific and practical conclusions based on them. In addition, none of schools of labour economics theory has ever managed to predict real economic labour development

[1] See: The macroeconomist as scientist and engineer// Journal of Economic Perspectives, 2006. Vol.20 №4

of events even in those areas to which it is oriented because people have their own desires - unlike molecules or physical objects[1].

And as there is no single correct answer in labour economics, therefore, it is impossible to give it to specialists only. Thus, each student should know at least something about labour economics. I do not mean that you need to take a thick textbook and get acquainted with any standpoint on this academic discipline. I am talking about the necessity to study various judgments about labour economics and develop critical thinking and ability to understand which approach will be most reasonable in given economic circumstances, in the light of certain moral values and political goals (pay attention that I am not talking about correctness of any judgment). In order to solve such problem, there required a textbook that considers labour economics in the way that no one else has done - and, I hope, you are holding exactly such book – the book of famous scientist economist Academician K.Kh. Abdurakhmanov.

What makes this book special?

Why is the book of academician K.Kh. Abdurakhmanov different from others?

First difference. Academician K.Kh. Abdurakhmanov takes his readers seriously. And it's not a joke. You will not find here a concise retelling of complex eternal truths. He introduces various ways of analyzing labour economics to you in the hope that you will be able to evaluate the possibilities of different approaches yourself. The author does not refuse to discuss fundamental methodological issues of labour economics. For example, such as: is it acceptable to consider this discipline as a science, or what role does spiritual moral values play (and should play) in it.

Second difference. Academician K.Kh. Abdurakhmanov is trying to present hypotheses that underlie various concepts of labour economics so that readers form their own opinions about their reality and credibility. He also tells how quantitative indicators in labour economics are defined and linked, urging readers not to forget that they cannot be perceived as something that cannot be changed, say, like the weight of elephant or water temperature in control. In short, the author is trying to explain how to think, not what to think.

Third difference. Despite the fact that the book of academician K.Kh. Abdurakhmanov involves readers in very deep economic analysis it does not mean that it is difficult to understand. There is nothing in it that a person with secondary education would not be able to understand. Everything that he writes about is to be curious to find out what is really happening as well as little patience.

[1] See Robert Shiller. As economics a science? // www/theguardian.com/business/economics - blog/2013/wov/06/is-economics-a-science-robert-shiller

Fourth difference. Unlike other textbooks on labour economics, the book contains a lot of information about the real economic world and labour market. I am writing about the "world" absolutely seriously. Academician K.Kh. Abdurakhmanov presented information about different countries. It does not mean that the author paid equal attention to all countries of the world. But, unlike most other books on labour economics, in this book information is not limited to one or two countries or one category (say, only rich or poor countries).

It should be noted that a large part of information in the book is presented in figures: how large is world economy; what contribution the countries make in it; how part of produced goods is the share of the United States or countries of the European Union; how many people work in developed economies or developing countries. But all these figures are supplemented by qualitative information on institutional mechanisms, historical background, standard strategies and much more. I would like to believe that, after reading the book, a student will be able to say that he has some idea of labour economics in modern real world.

And now something is completely different ...[1]
How to read this book

Of course, not everyone is ready to spend a lot of time reading this book, at least in the first years of studying. Therefore, I offer several ways to cope with material, depending on how much time you can devote to it.

If you have ten minutes, read the titles of chapters and the first page of each. If you are lucky you will suddenly realize that you have a couple of hours left after these ten minutes.

If you have a couple of hours you can read chapter 1 and 2 and then the list of references. Just scroll through the rest.

If you have a half day pay attention only to the titles of sections and summaries that appear every two paragraphs. If you read fast you will have time to get acquainted with introductory and concluding parts of these chapters.

If you have enough time and patience to read the book fully please do it. This is the best way. In this case the author will be very happy. But even in this case, you can skip chapters that you are not so interested by reading only their headings.

I hope that the book of academician K. Kh. Abdurakhmanov helps you to enter the world of labour economics. I sincerely wish you success on this way.

Academician A. Kh. Saidov

[1] Popular quotation from comedy serial "Monty Python's Flying Circus"

FROM THE AUTHOR

No matter who we are, whatever position we hold, each of us lives with a great dream about making a significant contribution to the prosperity of our homeland. Construction activities that are being conducted in Uzbekistan, creative atmosphere give confidence in achievement of the intended goal, inspire with initiative, selfless and creative work.

President of the Republic of Uzbekistan Shavkat Mirziyoyev, in his speeches, points out important tasks in every sector of the economy of the country. Thus, the Decree of the President of the Republic of Uzbekistan of February 7, 2017 "On the Action Strategy for further development of the Republic of Uzbekistan" identifies priorities for creating new jobs and ensuring rational employment of the population, especially graduates of secondary special and higher education institutions, ensuring balance and development of infrastructure of the labour market, reducing unemployment; creation of conditions for the able-bodied population for full implementation of their labour and entrepreneurial activity, improvement of quality of the labour power, expansion of the system of professional training, retraining and advanced training of persons in need of employment.

Thus, the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan of October 20, 2018 "On measures for implementing the national goals and tasks in the field of sustainable development for the period up to 2030" defines strategic objectives on promoting sustainable and comprehensive economic growth based on increasing productive employment and decent work for men and women, especially young people, persons with disabilities, by implementing active and passive measures in the labour market, protecting private property, supporting and removing barriers for accelerated development of small and large business, private entrepreneurship.

The President of the Republic of Uzbekistan has launched five initiatives on creating conditions for upbringing and education of young people, new jobs and employment of women. These initiatives reflect the growing interest of young people in literature and art, physical culture and sports, computer technologies and the Internet, focuses on the issues of ensuring employment of young people and women. Practical implementation of these initiatives will serve to create additional conditions for organizing labour and raising the level of education and employment of young people.

Labour activity of a person, social and labour relations form the basis of the "Labour Economics" study.

Students of universities in developed countries take a new approach to analyzing problems of labour economics as a theoretical economics discipline reflecting the sphere of labour market. Wherein, the main scientific areas and main research objectives are:

- modern forms of implementing labour activity;
- supply and demand for labour resources in the modern labour market;
- impact of structural changes in production on demand in the labour market;
- changing the level of the minimum wage and employment in guaranteed jobs;
- social partnership of hired workers, employers (their representatives) and the state in the labour process;
- interest of employers in creating new jobs;
- new approaches to solving labour disputes and other areas of the labour economics.

"Labour Economics" and "Modern Labour Economics" textbooks cover independent areas of the modern theory of labour economics. Their study requires students to be well aware of the basics of micro, meso, and macroeconomics. In these courses, special attention is paid to issues of investment in human capital, mobility and labour migration of labour resources, working conditions, standards of the Decent Work Concept of the International Labour Organization (ILO), social partnership in the sphere of labour.

Labour economics is associated with assessment of labour activity and wages, emerging often with conflict risks in employment and dismissal. The profound mastery of the fundamentals of labour economics is crucial in recognition of very important social problems. In this sense, the labour economics is one of the priority issues in state policy in the sphere of labour.

The overwhelming majority of countries in the world are switching to innovative development, the influence of the digital economy, information and communication technologies on modernization and diversification of production is actively growing. New forms of employment such as precarization, virtual and rental employment, work under special contracts have emerged in the labour market along with the traditional sustainable and socially protected employment of workers. Such workers, who are less dependent on employers, act more freely in the labour market.

Such forms of employment change the status of the workplace. A vivid example of this is virtual employment. For example, only 40% of the staff work directly in production workplaces in the well-known General Electric Company. The rest of workers are engaged in product sales, marketing, research and development work and others, mostly virtual activities.

Strategically based innovative entrepreneurship, employment in the digital economy, startups are fully supported by the states.

Currently, there are a large number of options of the structure of the labour economics, built based on the most varied approaches and views of economists, representing copyright developments focused on a different range of labour problems under consideration.

The main objective of this textbook was preparation of mature, highly competent, qualified manager-economists, capable of being strategists and leaders.

As a result of studying the discipline "Labour Economics", the student must master the general cultural and professional competences.

The content of the "Labour Economics" research area is defined as follows:

– economic science, devoted to the study of trends and legitimacy of labour activity of people; social and labour relations; reproduction of labour resources and labour power; legal, organizational and socio-economic mechanisms of labour management;

– directions, traditional for the existing form of the labour economics (theoretical and methodological problems of labour; the system of "person-production" relations; stimulation and remuneration of workers' labour, organization of wages; problems of quality of labour power, training, retraining and advanced training of personnel; professional orientation and mobility of personnel; conditions, labour protection and safety; labour productivity, measurement methods, factors and reserves of increase and others);

– directions introduced into labour economics characterizing the subject area of this science in the world (human capital as social wealth, its structure and role in the modern economy; labour market, its functioning and development; investment in human capital; regulation of social and labour relations, problems of social insurance, social partnership, human resource management, personnel policy and strategy, and others).

I express my sincere gratitude to all the specialists who have a worthy place among economists and are highly respected. They are academicians of the Academy of Sciences of Uzbekistan B.S. Yuldashev, R.A. Ubaydullayeva; honored workers of the Russian Academy of Sciences, economists, professor V.I. Grishin, professor Yu.G. Odegov, professor A.M. Asaliyev; foreign economists, Nobel Prize Winner C. Pissarides (Cyprus, United Kingdom), George J. Borjas, Ronald G. Ehrenberg, Roberts S. Smutra (United States), V.L. Kvint (Germany), professor Gerhard Feildmeier, Rector of Gunadarma University, professor Eko Sri Margianti (Indonesia), professor M. Hiwatari (Japan) and other scientists for valuable suggestions and recommendations in the process of preparing a textbook.

There may be some shortcomings in the textbook, and we will accept with gratitude all the comments, opinions and judgments, suggestions and recommendations that can be sent to e-mail: abdurahmanov@yandex.ru

INTRODUCTION

Large-scale and deep socio-economic reforms are being implemented in Uzbekistan. The first results of these reforms are reflected in the daily life of the population, thereby increasing their social responsibility and confidence in the future.

Such social activity is achieved through constant improvement of labour relations, rational organization of labour in the scale of macroeconomics and industries at each enterprise, i.e. through the effective use of the labour factor, which is the main driving power for development of the economy of any country.

The human factor, which is the basis of the global progress, becomes the leading one. As a result of studying the human factor, the labour economics was formed as a separate direction of labour division, and the study of labour relations turned into a separate science.

"Labour Economics" study is aimed at studying economic laws in the sphere of socio-economic relations, studying the organization of labour of personnel, problems of employment and unemployment, wages and its effectiveness. In essence, the harmony of terms "labour" and "economics" indicates that this science studies human labour, its expediency.

The nature of modern relations between the employer and the employee is analyzed with the help of this science. Because their mutual relations are considered the most important fundamental relations in our life and are under close attention of not only economists, but also legislative bodies. The knowledge of fundamental foundations of modern labour economics contributes to realization of contradictory social problems that arise in Uzbekistan and other countries of the world, and development of programs for solving them.

"Labour Economics" study has an important place in training economists who are able to determine economic policy and conduct its analysis. At present, training strategists, leaders and managers capable of carrying out activities based on the country's digital economy, continuous improvement of their qualifications, formation of their skills in using in practice issues related to the study of labour economics as a whole is acquiring great importance. Practical application of the knowledge gained and observation of their social significance strengthens students' desire to learn.

Formation of "Labour Economics" study was due to social demand of practice, development and complication of production, as well as determined its important place in the system of socio-economic science.

In practice, the entire able-bodied part of society is involved in labour relations in one form or another. In turn, labour activity of a person covers extremely important life issues, such as the choice of professions and specialties, types of labour activity; participation in the labour process; labour mobility; advanced training; mastering additional professions, etc. At the same time, the labour market performs the function of reconciling the interests of the employer and the hired worker, different in content.

Human labour in its essence sharply distinguishes numerous commodities on the market. Also, due to the fact that the labour process cannot be separated from human activities, the use of such services has its own characteristics, and therefore great attention is paid to it. Factors of human activity that are not related to money, for example, working conditions, the risk of injury, personal characteristics of managers, fair treatment of workers and variability of working time are significantly different from products on the market. At the same time, there are no rules and legislative acts defining relations of labour institutions and employers in other markets.

Despite this, for a number of reasons, the relationship between the employer and the employee can actually be called market. Firstly, an advertising institute and recruiting agencies seek to connect the interests of sellers of labour services with their customers. Secondly, after they establish relationship, issues related to the quality of labour and its prices, as well as the differences between them, are determined. Thirdly, after they come to an agreement, the contract must necessarily embody the working conditions, occupational safety, working hours. Under such contracts, in many cases, the employer makes payment not by the quantity of products produced by the employee, but by its quality and time spent on labour. This form of labour contracts requires the employer to establish a separate system of incentives and motivation of employees.

Based on the Strategy for Innovative Development of the Economy of Uzbekistan, the target parameters of personnel training were formed; they are coordinated in areas of professions and specialties in accordance with promising programs for integrated development of territories and sectors of the economy. In order to ensure training of specialists, necessary for the branches of the country's economy, with participation of the Ministry of Economy and Industry, the Ministry of Higher and Secondary Special Education, the Ministry of Employment and Labour Relations, the Ministry of Finance, other state and economic management bodies, local state governing bodies and organizations are developing the parameters of requirements for graduates of higher education institutions.

The process of training highly qualified economists in higher education institutions of relevant direction, studying in "Labour Economics" discipline, capable of being not just managers, but also leaders, was also presented a number of new requirements, in particular:

1) finding organizational and managerial, innovative and economic solutions, developing an algorithm for their implementation and the need for taking responsibility for the introduction of modern innovations in production;

2) the ability of strategic forecasting, planning of human resources in the labour market and implementation of modern management methods; increasing labour efficiency; mastering the economic modeling of labour indicators; development and justification of promising plans for the labour market and employment of the population using modern forms;

3) the adoption of reasonable decisions in the sphere of innovative labour, taking into account the strategic requirements of socio-economic development, formation and implementation of personnel policy in accordance with modern forms of labour relations;

4) assessment of labour efficiency and introduction of its modern methods into production, qualified management, calculation of labour costs based on modern methods of labour organization.

In conclusion, it is necessary to emphasize that "Labour Economics" textbook is prepared on the basis of a new curriculum and takes into account all modern requirements.

CHAPTER I.

LABOUR AND ITS PLACE IN DEVELOPMENT OF SOCIETY

1.1. System of scientific views on labour

Labour is a conscious, purposeful and non-prohibited activity that allows to satisfy a certain human need for creating necessary material or spiritual benefits.

As a result of appearance of the first signs of market relations that operated in natural economy, economic ideas and views on labour gained new content. This process is associated with the emergence of *teachings of mercantilism* in Europe in the 16th century. The ideologists of this school W. Stafford, G. Scaruffi, B. Divanneti and T. Mann forwarded ideas of accumulation of wealth, possession of gold, silver, precious stones and noted that the wealth of the state is determined by this, and this situation can be achieved by labour.

John Law (1671–1729), who logically continued the teachings of mercantilism, paid main attention not to gold and silver, but to money circulation, explaining that the key to economic progress is the abundance of money that provides employment for people.

The emergence of the *classical school* is associated with the English economist Mr. William Petty (1623–1687). In the 17th century, as a result of development of manufactory, a new interpretation of "labour relations" concept appeared in England. During this period, "hired labour", "hired labour power" concepts were introduced, and these concepts were mainly applied to peasants from whom the land was taken, and they were attracted to work on manufactories, as well as crafts. W. Petty supported the exploitation of labour, forwarded ideas for limiting wages and minimum payment of wages to workers. He did not consider commodity a labour, but emphasized that labour is the father of wealth, and the earth is mother. W. Petty analyzed in detail the concept of labour, saying that each definite labour creates a certain commodity, a consumer price. He explained that the natural price of labour is payment of wages and its maximum price is the amount of money necessary for the existence of workers. Based on this, the scientist concluded that it is enough for a worker to receive money for living and generation. The teaching of William Petty was characterized by a minimalistic attitude to the human factor and his labour.

Unlike W. Petty, the teaching of the French Pierre Le Pesant de Boisguilbert (1646–1714) was characterized by the paramount importance of the factor of labour power and labour in production. He founded the theory of labour cost, explained the concepts of "market price" and "real price", their difference. According to his interpretation, "the real price of labour" is determined by labour costs. P. Boisguilbert forwarding the "personal interest" principle emphasized that it is necessary to take into account the interest of the worker in production.

The French scientist François Quesnay (1646-1774), who laid the foundation to physiocracy, introduced the "pure product" concept into the economy. Modern science calls this "national income". A pure product is what remains of the sum of the produced product after deducting production costs. The concept of pure product by F. Quesnay is associated with the teaching of productive and non-productive labour. Labour on the land is considered how productive labour is, creating a clean product, the rest of the work belongs to the category of non-productive. Based on this, the scientist forwarded a statement about the productive nature of various social groups in society, classes. He believed that society is composed of three classes: productive (people employed in agriculture); owners (owners of land); fruitless (people employed in industry, commerce and other areas of the service sector).

The most prominent representatives of English classical political economy were Adam Smith (1723-1790) and David Ricardo (1772-1823), in works of whom this school reached its highest development and emerged as a fully developed scientific discipline. The main work of A. Smith is the famous book "An Inquiry into the Nature and Causes of the Wealth of Nations", which emphasizes that the sphere in which wealth is created and multiplied is material production, and the essence and nature of wealth is exclusively labour. According to him, the most important factor in economic development is division of labour. He substantiated this concept on the example of pin production. If everyone, working alone, performs all the operations, then for the day of work he is able to produce 20 pins. If the workshop employs 10 workers, each of whom specializes in one operation, and then together they will produce 48,000 pins. As a result of the manufactory organization of labour, its productivity increases 240 times. According to A. Smith, due to the division of labour, productivity and skills of workers increase, the time of transition from one operation to other decreases, the possibility of inventing machines arises and the quality of products increases.

According to the scientist, the volume of production is determined by the part of the population engaged in useful labour and the level of productivity. A. Smith considered the population size, the number of people engaged in useful work, the division of labour, and productivity growth as the main factors for increasing national wealth. These economic views are confirmed by both modern science and practice.

In the economic views of D. Ricardo, wage issues are considered as priority. He, discoursing on the stimulation of labour, proves it on the cost of bread and wages of workers. In his opinion, both the cost price and the price should change proportionally, otherwise the workers will starve. He also confirmed that the employee creates more than the salary received, so he needs to be stimulated.

French scientist Jean-Baptiste Say (1767-1832) is famous for the theory of the three factors of production (labour, capital and land). The first of these, labour, creates payment for labour for workers. J. Say opposed the exploitation, defended the interests of workers and praised their place in the economy. In addition, he justified the conformity of labour and capital.

Economic ideas and views of the English scientist John Maynard Keynes (1883-1946) play an important role in formation of modern labour education and their improvement. He, justifying the need for intervention of the state in the economy, emphasized that maximum employment and economic growth can be ensured only by active intervention of the government into the economy. He expressed his ideas in his work "The General Theory of Employment, Interest and Money". To ensure full employment, John Maynard Keynes proposed to regulate government revenues by taxes. He forwarded the idea that unemployment can be prevented by reducing wages.

Summarizing, it could be said that the ideas about the human factor and the factor of labour, separate provisions corresponding to the current market economy, were voiced in classical economic studies. The ideas forwarded by representatives of the classical school of economics became the basis for interpretation in science and practice of certain categories of such concepts as labour, employment, unemployment.

However, the study of these teachings shows that the labour factor was not considered as a resource or potential in the ideas of well-known economists. In these studies, the labour factor was considered only as a labour power and was investigated from the point of view of manufacturing production. At the same time, labour was studied at the micro level, at the enterprise scale. The workers were treated limitedly, narrowly, the potential and capabilities of this factor were not disclosed. Classical theorists have not investigated the participation and importance of a labour power in a territorial, regional or national economy.

Later on, with development of market relations, the study of the labour factor as having great opportunities and great potential had fully begun. To this end, the ideas of representatives of the classical school became the basis to a certain extent.

Today, when modern labour relations have been established, labour can only be efficient activity. Moreover, this means that a person should strive to achieve useful results (fig. 1.1).

Labour has three features as a socially useful human activity:

– energy expenditure of labour, i.e., the expenditure of physical and mental energy of an employee (physical, psychological and psychophysiological properties of labour activity);

– relationship with the means of production (organizational and social properties of labour activity);

– relationship of workers in production (organizational and social properties of labour activity).

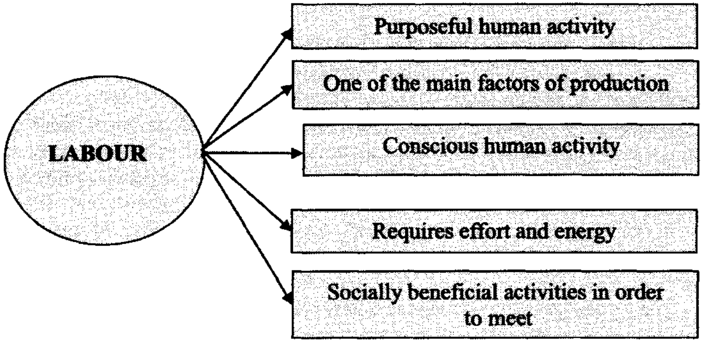


Fig. 1.1. The essence of the "labour" concept

The first sign of labour is *conscious human activity*. Conscious activity can be divided into labour and non-labour activity. The labour part of the conscious activity, in turn, covers the following signs:

- focus on the exact goal;
- expediency;
- legality;
- profitability;
- creativity;
- meeting the needs.

Focusing on the exact goal of labour means that a carefully thought out goal is embedded in human activity. Before starting the work, he plans it, prepares for implementation of labour activity. During preparation, first of all, the purpose of the future activity is specified. It should be noted that non-purposeful activity has nothing to do with labour.

Labour also envisages legal activities. Illegal activities, for example economic crimes, act against security of society and the rule of law (illegal production of weapons, drugs, products dangerous for human, theft, human trafficking and others) are not included in the "labour" concept.

The most important *criterion* of labour is its public utility. Along with this, labour is creation, that is, the creation of material and spiritual benefits or restoration of lost benefits. The work of scientists, engineers, workers, farmers, physicians and other representatives of the creative activity is an example of such labour.

At the same time, labour must be demanded by society, it must be necessary for it. If a person implements any work consciously, but nobody needs it, it is not considered labour.

At the same time, there are also other forms of labour, for example:

- social labour;

– labour, aimed at charity (sponsorship, guardianship, volunteering, etc.);

– labour in order to implement the talent (artistic creativity, unpaid activity in the field of art, sports, etc.).

Labour plays a crucial role in the life of a person and society. Thanks to labour, resources of productive powers, material and cultural wealth are created and the well-being of society is ensured. Further development is impossible to be imagined without difficulty.

In the study of "Labour Economics", from a theoretical point of view, labour is considered the main category. At the same time, "labour" and "work" concepts differ from each other.

The "work", along with human activity, means used animals, machines and mechanisms, as well as powers of nature. In addition, labour, as noted above, is only socially useful human activity. This means that the conscious creative role of a person is fundamentally different from the role played by animals.

Along with this, such words as "a person went to work", "he works there", "workplace", "working time", and "his work" are used in human activity. In such cases, the words "work" and "labour" are used only as equivalent words (Table 1.1).

Table 1.1

Differences and similarities of "labour", "work" and "activity" concepts explain what can be a synonym

Concepts	Spheres of application				
	Person	Enterprise	Animal	Machinery	Natural power
Activity	+	+	–	–	–
Action	+	+	–	+	–
Work	–	–	–	–	–
Labour	+	–	–	–	–

Moreover, the "activity" concept, in the overwhelming majority of cases, means only the activity inherent in a person, the result of using physical and mental abilities to satisfy some of their needs. A person can demonstrate his internal (spiritual) and external (physical) activity. At the same time, we might speak about labour activity and activity not inherent in labour. This concept, as the highest element of purposeful activity, is also used in relation to society and labour collectives.

The distinction between labour activity and activity not inherent in labour is based on the following two main criteria.

The first criterion is the activity connected with the creation of material and spiritual benefits. Activities not related to them are not considered to be labour. For example, it can be walks, travels, games associated with leisure, eating, medical procedures, etc.

The second criterion is the legality of activity. Labour activity can only be legal. Prohibited activities (crime, human trafficking, etc.) are not included in the category of "labour".

The place of work in a person's life and society is studied by many sciences: sociology, philosophy, psychology, physiology, jurisprudence and others to create wealth.

Labour as a process consists of three components:

1) labour is a socially beneficial human activity;

2) the subject of labour (to which the labour of a person is directed in creating wealth)

3) means of labour, allowing to work on the subject of labour.

The main forms of labour demonstration consist of:

– expenditure of mental and physical energy of a person. This is determined by the severity of labour and the level of neuro-psychological stress. They characterize the degree of employee fatigue. A person's ability to labour depends on his level of energy consumption;

– relationship of an employee with the means of production. This constitutes the organizational and technological properties of labour. This relationship is determined by the level of technical support of labour, improvement of technologies, organization of working time, qualification and experience of an employee, methods of labour used by him. This criterion of labour activity imposes its own requirements for special training and qualification level;

– relationship of workers in the production process with each other and horizontally (interaction in the labour collective), and vertically (head – subordinate). This determines the organizational and economic aspect associated with cooperation of labour during labour activity, the number of employees, etc.

There are different views on the "labour" concept in economic theory. The founder of the classical school A. Smith points out that "Labour is the only source of value". He justified this by the fact that in the primitive state of society, the commodities were exchanged in accordance with the amount of labour expended on their production. Thus, for example, the population involved in hunting, in order to kill a beaver, usually applies twice as much labour as to kill a deer, which means that the cost of one beaver must be equivalent to two deer.

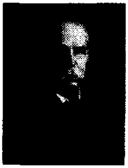
Representatives of the new classical theory forwarded the idea that labour with capital and land is one of the three economic resources. In their opinion, since economic resources are independent variables of the production function, they are equivalent in volume. Therefore, production cannot be prioritized to any of them, since everyone has a certain share and place in total income: labour has wages, capital has a percentage, and land has a rent.

Adam Smith (1723-1790) was a Scottish scientist, founder of classical economics school.
Works:
An Inquiry into the Nature and Causes of the Wealth of Nations. – M.: Exmo, 2000 and others.

The representative of this school A. Marshall gave such a definition to the "labour" concept: "We may define labour as any exertion of mind or body undergone partly or wholly with a view to some good other than the pleasure derived directly from the work"[1].

Marshall emphasizes, "Most people work more than they would if they considered only the direct pleasure resulting from the work". Illustrating this idea, he further writes that an agricultural labourer working in his garden in the evening thinks chiefly of the fruit of his labours, "While a rich man working in like manner, though he may take a pride in doing it well, will probably care little for any pecuniary saving that he effects by it".

In addition, in the book "Economics", it is emphasized, "The resource labour consists of the physical and mental talents of individuals used in producing commodities and services"[2].



Alfred Marshall (18421924) was an English scientist, one of the founders of the neoclassical school.
Works:
Principles of Economics: in 3 volumes.: translation – M.: Progress, 1983 and others.

In general, in the economic literature there are various approaches to the essence of labour. It is emphasized that labour is purposeful human activity aimed at its development and self-approval, the use of natural resources, the development of society, etc.

Currently, taking into account the complexity of human activity, the following properties of labour activity are distinguished (Fig. 1.2).

1. *The content of labour activity* is a set of characteristics of a specific useful labour related to its technological basis with a certain saturation of labour tools, the

1 Marshall A. Principles of Economics: in 3 volumes. – V. 2. – M.: Progress, 1983. – P. 124.

2 Campbell R. McConnell, Stanley L. Brue. Economics: Principles, Problems, and Policies. – M.: Infra – M., 2003. – P. 398.

degree of mechanization and automation of labour functions and the organization of production.

Based on the content, labour activity is qualified by the following types:

– *physical labour* is characterized by a load on the musculoskeletal system and functional systems of the human body, ensuring his activity;

– *mental labour* unites work related to the reception and processing of information that requires priority attention, memory, as well as activation of the thinking process;

– *simple labour* is the labour of an employee who does not have professional training and qualification;

– *difficult labour* is the labour of a qualified worker who has a particular profession;

– *functional labour* is characterized by a certain set of labour functions characteristic of a particular type of labour activity;

– *professional labour* is a concretization of functional labour, forming a broad professional structure.

2. The *nature of labour activity* reflects the way of connecting the manufacturer to the means of production, due to the property relations prevailing in a given society. The nature of labour reflects its socio-economic nature in a society at a certain stage of development. For example, in a slaveholding society, a slave and means of labour were united as a property of a slave owner, and this gave rise to personal dependence of a worker from the one who appropriated the results of his work. In a society based on private ownership of the means of production, the worker can connect with them by selling his labour power. Therefore, the nature of labour in such a society reflects conditions of labour recruitment.

3. *The meaningfulness of labour activity* is a composition, nature, volume and variety of labour functions performed by the employee. Meaningfulness of labour determines the complexity of labour functions performed by the employee; saturation of the labour process with mental activity; creative elements; degree of independence.

4. *The intensity of labour activity* is a degree of intensity of labour in the production process. It is measured by the amount of expended physical, nervous and mental energy of a person per unit of time. The higher the intensity of labour, the higher its productivity.

5. *The quality of labour activity* is a characteristic of concrete labour, reflecting the degree of its complexity, intensity, condition and significance for development of the economy. The quality of labour is reflected in the wages of workers and is measured by means of a tariff system that allows differentiation of wages depending on labour characteristics.

6. *Decent work*. By the definition of the International Labour Organization (ILO), decent work is work that allows an employee to be engaged in his favorite work in conditions of freedom, justice, security and respect for human dignity.

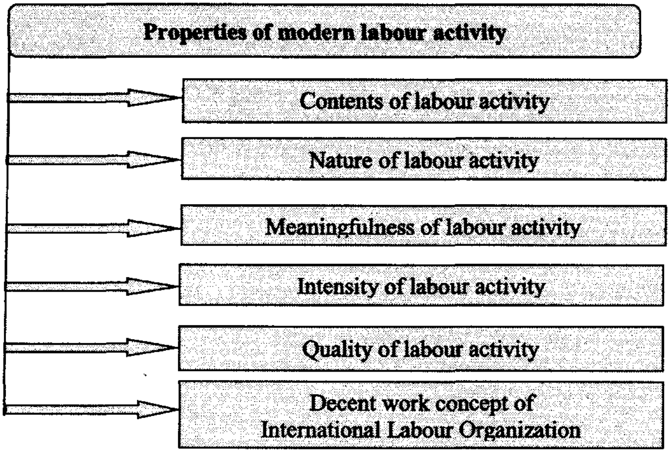


Fig. 1.2. Properties of modern labour activity

The concept of decent work comprehensively covers the following key qualitative characteristics:

– productive activity or productive labour, capable of ensuring the competitiveness of the country;
– fair income for employees;
– safety at workplace;
– social protection (against unemployment, in case of pregnancy, the need for child care, pension provision);
– prospects for personal growth;
– active participation in taking important management decisions (through trade unions and association of entrepreneurs);
– equal starting positions and opportunities for both genders[1].

According to ILO Director-General Guy Ryder, "more people in decent jobs means stronger and more inclusive economic growth. Improved growth means more resources to create decent jobs. It is a simple equation but one that has been largely neglected in international policy-making both before and after the 2008 financial crisis. With the 2030 Agenda for Sustainable Development we have a once-in-a-generation chance to make a change and improve the lives of billions".

[1] Decent Work: Report of ILO Director-General Juan Somavia at the 87th International Labour Conference in June 1999. – Geneva, 1999. – P. V.

Decent work puts money in the pockets of individuals and families that they can spend in the local economy. Their purchasing power fuels the growth and development of sustainable enterprises, especially smaller businesses, which in turn are able to hire more workers and improve their pay and conditions. It increases tax revenues for governments, who can then fund social measures to protect those who cannot find a job or are unable to work.

Currently, labour activity has economic and social roles. As a result of modern labour activity, on the one hand, the market is filled with commodities, services and cultural values, and secondly, production moves to the period of innovative development, new needs are formed and ensured. This is due to development of labour activity in the modern economic environment.

The social role of labour activity is expressed in the effective influence on reproduction of the population in the demographic process, raising the material and cultural level of workers.

1.2. Development of views on labour and human activity in historical sources

Attention to formation of social and labour relations began to be paid in ancient times. So, in the V-IV centuries BC, the ancient Greek philosopher Plato, in his work The Republic, noted that a division of labour is necessary in any state, therefore every man should do his own business or craft, and not another's. At the same time, there should be husbandmen, builders, craftsmen, and warriors in the state in order to protect the state from external and internal enemies.

In the ideal state of Plato, free people were divided into three classes:

1) philosophers, called to govern the state. Philosophers should be at the head of a society as the sanest, capable of knowing the world and managing people. They must act in the name and for the benefit of the whole society, renouncing personal preferences, so they do not have private property;

2) warriors whose duty is to protect people;

3) landowners, artisans and small traders. Their responsibility is material production, benefits necessary to all society, they cannot do without personal interest in the results of their work and they are allowed to have private property.

In our region, called Turan in ancient times, and then Maverannakhr, the population began to pass to a settled life in 2000-3000 BC. Development of agriculture and animal husbandry, in particular, such types of crafts as the manufacture of threads from wool and weaver began. Various types of labour tools began to appear, handicrafts, especially pottery, were further developed. In 1000s BC, handicraft separated from agriculture. It, along with trade, formed the economic basis of life of the first cities.

The following were inherent for socio-economic relations of the region of that time:

– the use of ketmans (an agricultural tool used for sapling, crop rotation, and also for digging and clearing arches and canals) in agriculture and the beginning of development of animal husbandry;
– expansion of irrigation facilities and improvement of irrigated agriculture;
– metal processing and emergence of professions in the textile industry;
– emergence of pottery production;
– the use of raw bricks, expansion of sedentary settlements in construction;
– production of colored pottery and others.

The most important historical source of our land is compilation of the sacred texts of Zoroastrians, the book "Avesta". Thanks to it, from time immemorial, we received information about the representation of our ancestors about the structure of the universe. Zoroaster (Zarathushtra, Zarathustra), the founder of Zoroastrianism, a priest and prophet, believed that every soul, parting with the body, was judged for what had done during the life. Therefore, the salvation of each person depends on his thoughts, words and deeds.

The moral postulates of the Avesta are extraordinarily instructive: noble thought, noble word, noble deed, "If a person's goal and thoughts are noble, his words are sincere and true, and his actions and aspirations are consistent and firm, then his every deed will certainly be good for people".

Zoroaster considered those people who were engaged in farming to be good. A land for him was the embodiment of good, because it gives life. Therefore, farmers do the right thing, growing grain, vegetables and fruits. He considered especially good people who kindly refer to animals, in particular, to cows.

Diligence of Uzbek people, importance of mastering professions was also reflected in his numerous proverbs:

Not the millet, but gold grows,
On the land where we worked hard.

Isn't the clay cup so beautiful,
Because poor potter worked hard on it so many days?
Isn't it better to work in vain, than from languishing in vain?

Work is done fast, for those who work hard.

You will not find happiness without labouring, and will not gather the harvest without sowing.

The work heals, and laziness brings illness.

Knowledge is highly valued, diligence is encouraged in Islam. In Surah An-Najm, Allah says, "That man shall have nothing but what he has striven for, and that (the result of) his striving shall soon be seen". The words of the Prophet Muhammad are well known to any Muslim, "The best (purest) food a man consumes is that which he has earned himself".

In general, in Islam, all the virtues of a person are related to his work. In the Hadith, it is noted, "A Muslim must earn, being engaged in farming, trade or production, as well as doing any other work not related to prohibition".

All faithful are well aware and postulate especially emphasized in the Hadith, "Strive for knowledge from birth to death".

1.3. Place of labour activity, social and labour relations in teachings of thinkers of the East

The history of ancient Eastern states, which arose in the 4th Millennium BC, allows to trace the emergence of classes and slaveholding societies, the creation of states, the beginning of the economy, as an organized sphere of human activity. Separation of cattle breeding from farming, development of agriculture and extraction of crafts from it, the emergence of metallurgy necessitated additional labour power. They became mainly prisoners who were turned into slavery. The increase in production gave an excess product, which had become a subject of exchange. A trade and then money appeared.

The role of thinkers of the East is great in studying, researching and forming a separate direction of science, labour relations. Their works reflected practical knowledge in the field of economic management, general recommendations on governing the state, the economic activities of citizens were given. An important place in them was also given to issues of strengthening natural economy, protecting the property interests of private slaveholding enterprises and reglamenting the emerging commodity and money relations.

In formation of economic ideas, *Ancient Chinese Economic Thought* takes a special place. One of the first sources on economic issues is the ancient Chinese "Guang Zhi" (total name of ancient Chinese philosophical treatises of various authors, who lived mainly in the IV-III centuries BC), uniting 564 treatises. The idea of balancing the market elements appeared in "Guang Zhi". The ruler had to keep the commodities, which was in excess of the population, and put into circulation the commodities in which there was a shortage. The authors of the treatises spoke in favor of normalized issue of currency notes, as well as government regulation of prices in order to stabilize the economy.

The great thinker of China Confucius (551-479 BC) was one of the first to create a theory of natural law on which his philosophical and socio-economic concept was based. The economic views of Confucius were contradictory. Idealization of antiquity, consolidation of patriarchal and community relations got along with him with development of rules governing the relations of slaves and slave-owners. Confucius was looking for ways to achieve social "equality" while maintaining the slaveholding order, smoothing class conflicts.

The most valuable memoirs of *Ancient Indian Economic Thought* is the famous treatise "Arthashastra". The term "arthashastra" were called works on governance issues: political, legal, administrative and economic.

"Arthashastra" tells about the labour origin of wealth and the need for regulating the process of distribution of trade profits between merchants and the state. It was the state that was supposed to ensure the protection of irrigation facilities, preferential land use, development of ore sources, construction of roads, development of handicrafts, the fight against speculating traders, etc. The main sources of state revenues are profits from royal farms and various taxes and duties. An important source of enrichment of the state treasury is trade as an object of state regulation. In particular, the rate of trading profit was fixed, a "fair" market price was established, and the costs of producers and merchants were differentiated in the price of commodities at 5 and 10%, respectively, of the price of commodities of local and foreign origin.

The Great Silk Road played an enormous role in development of economic ties between people of Southwest Asia, the Caucasus, Central Asia and China, which connected East Asia with the Mediterranean Sea in ancient times and in the Middle Ages. The ancient cities and regions of modern Uzbekistan, located along this caravan route, differed in production developed in those times. For example, Chach, the former Tashkent and the metropolitan region, became the largest ore-metallurgical region in the early Middle Ages, where precious and non-ferrous metals, iron ore, and gems were mined. Chach delivered to other lands high-quality woolen fabrics, perfectly prepared leather, famous fighting bows and arrows, saddles that were in great demand among the warriors of steppes and cities, quivers, rugs, blankets, furs and skins, fur clothes, cotton, cocoons, flax and flaxseed, iron scissors and needles, grain products, glazed ceramic dishes.

It was not a coincidence. Our great ancestors lived and worked here. As the President of the Republic of Uzbekistan Shavkat Mirziyoyev noted, "the names of Imam Bukhari, Burkhaniddin Marginani, Iso Termezi, Khakim Termezi, Mahmud Zamakhshari, Muhammad Kaffal Shashi, Bahauddin Naqshband, Khoja Ahrar Vali, Muhammad Khwarizmi, Ahmad Fergani, Abu Rayhan Beruni, Abu Ali ibn Sina, Mirzo Ulugbek, Alisher Navoi and many, many other geniuses of humanity are inscribed in gold letters in the history of not only Islamic, but also the entire world civilization"[1].

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[1] Mirziyoyev Sh. M. Speech at the opening ceremony of the 43rd Session of the Council of Foreign Ministers of the Organisation of Islamic Cooperation // Narodnoye Slovo (People's word), October 19, 2016

One of the major representatives of medieval Eastern philosophy, Abu Nasr al-Farabi (873–950), in his works paid great attention to the factor of labour. He studied science, especially mathematics, logic, medicine, music theory and languages.

Abu Nasr al-Farabi (870-951), the commonly used short name is al-Farabi, was a philosopher, economist, mathematician, music theorist. One of the major representatives of medieval oriental philosophy. Al-Farabi is the author of comments on the works of Aristotle (hence his honorary nickname "Second teacher") and Plato. His works influenced Ibn Sina, Ibn Baja, Ibn Tufail, Ibn Rushd, as well as the philosophy and science of medieval Western Europe. He is credited with creating the Otrar Library.

The creative heritage of Abu Nasr al-Farabi is very rich. It is considered that he is the author of 80 to 160 works. His books were very popular in the cities of the East. The scope of his works is very extensive. First of all, he was interested in the theoretical basis of various sciences, their philosophical meaning.

In the most famous work of al-Farabi "Treatise on the views of the inhabitants of the virtuous city", it is noted that governing the society, the state should be carried out by the philosopher ruler. Then this state becomes a "virtuous city", the population of which, unlike the inhabitants of "vicious cities", lives according to the law of justice, when everyone performs his function assigned to him in the hierarchy system, which makes both society and people happy.

It is characterized by a strictly hierarchical social organization: the lowest ones serve, but are not served by anyone; intermediate segments both serve higher and are served by lower ones; top stage according to al-Farabi is occupied by the sole head of the city. He owns the highest of all arts, management. It truly belongs only to the one who has reached the stage of actual mind and, as al-Farabi emphasizes, has managed to unite with the Effective Mind that controls the sublunary world. The head of a virtuous city should have twelve qualities from nature (health, intelligence, memory, insight, clear speech, love for knowledge, abstinence in food and pleasure, love for truth and hate for lies, nobility of soul, worldly contempt, justice, and determination). A perfect head can establish laws, and the heads of a city that merge him, if they are less perfect, but are able to maintain the established order, should follow him.

A big place among social and ethical views of al-Farabi is taken by issues of educating perfect personality. The perfection of human nature, the harmony of human existence predetermined initially in its ability to reasonably, aspiring to good existence. Therefore, it is very important to form a comprehensively developed personality that possesses high virtues and good deeds: wisdom, intelligence, ingenuity, sharpness of mind.

Education, according to al-Farabi, is central in formation of moral and intellectual skills in a person, leading to genuine humanity and happiness. The scientist believed that a man was given two possibilities for realization of his abilities: one was obtained from nature, the other "by intention", that is, as a result of upbringing and training, which is controlled by properly organized teaching methods. A harmonious combination of physical perfection, intellectual development and high moral qualities is a sign of a great and perfect person, al-Farabi considered.

Called "the greatest mathematician of his time and, if we take into account all the circumstances, one of the greatest of all times", Muhammad Musa al-Khwarizmi (783–850) received initial knowledge from the outstanding scientists of Maverannakhr and Khorezm, and then he became acquainted with the achievements of the Indian and Greek science. He spent a significant period of his life, heading "House of Wisdom" ("Bayt al-Hikma") in Baghdad. The "House of Wisdom" was a kind of Academy of Sciences, where scientists from Syria, Egypt, Persia, Khorasan and Maverannakhr worked.

Al-Khwarizmi in 827 in Sinjar desert took part in measuring the degree length of arc of the earth meridian in order to clarify the circumference of the Earth. Measurements made in Sinjar desert has remained unsurpassed in accuracy for 700 years. The scientist first introduced algebra as an independent science on general methods for solving linear and quadratic equations, gave a classification of these equations. In his book "Fi usul hisab al-hind" (The Book of Principles of Hindu Reckoning), he substantiated and expounded a ten-digit positional system of calculation with nine digits and a zero sign.

The works of Musa al-Khwarizmi were translated from Arabic into Latin, and then into new European languages. On their basis, various mathematics textbooks were created, which played an important role in formation of science of the Renaissance and had a fruitful influence on development of medieval scientific thought in the countries of the East and West. The fact that the term "algorithm" arose thanks to it deserves special attention.

Abu Abdullah Muhammad Musa al-Khwarizmi (783-850) was one of the greatest medieval scientists of the 9th century, a mathematician, astronomer, geographer and historian.
Author of 9 works, including
Mathematical treatises. – Tashkent: Fan, 1964. (2nd ed., 1983); Astronomical treatises. – Tashkent: Fan, 1983

Al-Khwarizmi had important achievements in development of practical astronomy. He wrote a treatise on the device and application of astrolabe, the main instrument that served in the Middle Ages to observe the starry sky. His writings on geography were also connected with the works on mathematics and astronomy. "The Image of the Earth", written by al-Khwarizmi (Book of Geography, "Kitab surat al-Ard"), the first geographical work in Arabic and the first work on mathematical geography, had a strong influence on development of this science. He first described the known at that time-inhabited part of the Earth by that time, made a map with 2402 settlements and coordinates of the most important settlements.

The works of Musa al-Khwarizmi played a great role not only in development of science, but also in education of young people. He noted, "The fruit of education is a great mind, the fruit of knowledge is a good deed".

Moreover, in the works of the great encyclopaedist, thinker and humanist Abu Reykhan al-Biruni (973-1048), the concepts of "person", "labour factor" are often found. Still very young, Biruni was the first in Central Asia to make the earth globe. In 1000, he created his first major work "Chronology, or Memoirs.of the Past Generations", which brought him fame throughout the world, in which he collected and described all the calendar systems known in his time, used by various people of the world, and compiled a chronological table of all eras, ranging from the biblical patriarchs.

In his main work, "The Canon of Mas'ud in astronomy and the stars", al-Biruni describes the overall picture of the world. In general, the scientific heritage of the scientist is approximately 150 works in mathematics, astronomy, geography, mineralogy, history, ethnography, philology, philosophy.

In the work of al-Biruni "The Book Most Comprehensive in Knowledge on Precious Stones (Mineralogy)", the specific weight of many minerals was determined and detailed information was given on more than fifty minerals, ores, metals, alloys and others. He also compiled "Pharmacognosy in medicine", a book about medical preparations, capital work, which is of great importance in our time.

The American historian George Sarton described this outstanding scientist and encyclopaedist in this way, "The history of astronomy and mathematics, astrology and geography, anthropology and ethnography, archeology and philosophy, botany and mineralogy would not exist without his great name".

Abu Reykhan al-Biruni (973-1048) was an encyclopedic scientist and thinker, author of numerous capital works on history, geography, philology, astronomy, mathematics, mechanics, geodesy, mineralogy, pharmacology, geology and others. Scientific works of the scientist are invaluable in development of world scientific thought. His greatness, as one of the encyclopedists of the Middle Ages, is reflected in the non-measurable heritage, the contribution to development of many sciences not only of that era, but also of many subsequent millennia.

In the pedagogical views of Abu Reykhan al-Biruni, the concept of humanistic education is traced. The scientist assigned enormous importance in upbringing the younger generation to the process of mastering knowledge and mental development. The advanced views of al-Biruni were aimed at ensuring that the natural sciences occupied a large part in education of students. He forwarded an extensive education program, which should include knowledge about society and nature.

The scientist urged to reckon with the natural features of children. "Recognizing the power of upbringing, we will not take away the power of nature", he wrote, "upbringing that depends on it, or the rejection of power will remain in full power, but the teaching of the use of these will depend on the person, which will always be promoted at various levels by circumstances and everything around us".

Al-Biruni in his works emphasized that training should be consistent and visual, conducted purposefully and according to a certain system. The scientist believed that only true work forms high human qualities, and personality of a young person is formed in the process of education. It is important, from the modern point of view, his thought that it is not enough to be just an educated person, to know the rules of "noble" behavior, the main thing is to be able to apply this knowledge in practice.

Economic ideas also occupy a kind of place in the works of the founder of Canon of Medicine, Abu Ali ibn Sina (980-1037), famous in Europe under the name Avicenna.

Ibn Sina is the author of treatises on various branches of science. Among his major works are such works as "The Book of Knowledge", "The Book of Salvation", "The Book of Guidance and Awakening", "The Book of Justice" in 20 volumes. In addition, he wrote many works on psychology, logic, ethics, mineralogy and others. Ibn Sina called Aristotle his teacher. His predecessors and contemporaries al-Biruni, al-Farabi and others had a huge impact on him.

Abu Ali ibn Sina (Avicenna) (980-1037) was a prominent scientist, philosopher, and physician. The most famous and influential philosopher and scholar of the medieval Islamic world. He wrote more than 450 works in total in 29 areas of science.

Works:

The Canon of Medicine: in 5 volumes. – Tashkent, 1956-1960); Selected philosophical works. – M.: Nauka, 1980 and others.

Pedagogical problems are solved in the majority of scientific works of the scientist. He attached great importance to the mental upbringing of the younger generation, the mastery of scientific knowledge. The scientist urged everyone, especially young people, persistently explore science and strive for perfection.

Ibn Sina attaches great importance to the labour education of children. He considers it as a necessary obligatory element along with mental, physical and moral education. According to the theory of education, which he describes in his work "Tadbir-ul-Manozil," the thinker suggests systematizing the process of education as follows:

1) mental education;
2) physical recovery, based on the data of the science of medicine;
3) aesthetic education;
4) moral education;
5) learning the craft.

As a result of comprehensive spiritual education and in-depth knowledge of the foundations of Sufism, Khoja Ahmed Yasawi was awarded the title of Sufi connoisseur and returned to Yassy city to continue the tradition, once established by Arystan baba. Here he founds the Sufi order "Yassawi". His follower was the son Arystan baba Mansur. In Iran, Haji Bektash spread Jasavism. A disciple of Yasawi was Suleiman Bakyrgani Hakim Ata (died in Khorezm in 1186). Yasawi determined the course of development of the stream of people in the new Islamic civilization of the Turks. He had a large number of fans and pilgrims. Pilgrims, missionaries, public preachers, called "baba", spread the teachings of Yasawi in Turkestan, among the Kyrgyz, in the district of Volga, Khorasan, Azerbaijan, and Asia Minor.

Khoja Ahmed Yasawi was also popularly known as Hazrat Sultan, a Sufi poet and thinker. He wrote in Khakani, a Turkic literary language that had developed at the court of the Karakhanids. The author of the cycle of poems "Diwani Hikmet"

According to the teachings of Khoja Ahmed Yasawi, a human is considered the best of creations. There is no creature like human in the world. Human is endowed with qualities that distinguish him from other living beings, namely, mind and consciousness. It is the qualities that give a person not only rights, but also impose on him a huge responsibility for the life not only of his own, but also of Life on our planet. This means that the concept of mutual respect and tolerance towards each other, regardless of the nation, social position and origin, comes to the first place in the list of responsibilities. Therefore, each of us has the right to self-determination, this is the voluntary choice of each. Religion strengthens the faith of people, purifying and exalting them, giving them strength to overcome the trials of life, problems and adversities. The basis of human personality has always been spirituality as an internal power capable of developing the best human qualities.

Our great ancestors Imam Bukhari, At-Termezi, Naqshband, Khoja Ahmad Yasawi, Al-Khorezmi, Biruni, Ibn Sina, Amir Temur, Ulugbek, Babur and many others made a huge contribution to the development of our national culture, socio-economic development of Central Asia, education and training of the younger generation, raising the wellbeing of the population.

The outstanding Uzbek poet, humanist, thinker, statesman, thinker Alisher Navoi, as a poet, showed himself at the age of 15, he wrote both in Farsi and in Turkic. The pinnacle of creativity of Navoi is considered the famous "Hamsa" ("Quinary"), a collection of five poems, didactic "The confusion of the righteous" and heroic stories "Farhad and Shirin", "Layli va Majnun", "Wall of Iskandar", "Seven Planets", based on folk epic. With more than fifty-three thousand verse lines, this large-scale work was written in an extremely short time, in less than three years.

The literary work of Alisher Navoi played a significant role in development of Turkic-language national literatures. The poet left behind himself works of a philosophical and publicistic nature, linguistic and historical treatises.

Another undoubted contribution of Alisher Navoi to the literary activities of his time was the introduction of the old Uzbek language, along with Farsi, into the creativity of writers. Before him, no one wrote in Turkic, considering it too rude for versification.

The founder of the Uzbek literary language, humanist, enlightener and patriot Alisher Navoi (Nizomiddin Mir Alisher) (1441-1501) was the author of the greatest works. He began attending a school at the age of 4, showing great ability, curiosity, exceptional talent. At the age of 15, he became known as a poet under the pseudonym Navoi (which means "melodic" in translation).

The creative heritage of Alisher Navoi is enormous and multifaceted. It includes about 30 major works, collections of poems, poems, philosophical and scientific treatises.

Works:

Alisher Navoi. Works: in 10 volumes. – Tashkent: Fan, 1968-1970. – T. 1-10.

As a political leader, vizier, he organized a large-scale construction in Herat. A public scientific and enlightenment complex was built on the bank of the city channel Injil: a library, a madrasa, a hospital. In his works, people of labour, skilled artisans, peasants, builders were praised. Therefore, the second poem of the "Quinary", "Farhad and Shirin", is an inspired hymn for labour. The main hero of the poem Farhad, the son of a ruler, a man endowed with remarkable diligence, courage and selflessness, becomes a skilled builder, a wonderful master creator. Inspired by great and light feelings for beautiful Shirin, Farhad makes heroic feats.

Creative work and working people are also praised in many works of Alisher Navoi:

A hard-earned coin is better by far
Than unearned riches bestowed by the Shah.
Treasure the moment, it will not last;
Only the fool lives in the future or past.

The one who is not guided by the knowledge that he acquires is similar to the one who constructs an indoor canal, but does not sow the land, or even sows, but does not receive the harvest.

Throughout his life, Alisher Navoi combined literary activity with political. Being a man of high status, he made a significant contribution to the improvement of socio-economic life of the country, patronized the science, art, literature; always tried to establish peace and harmony.

Navoi, describing the beauty of the world, comes to the following conclusion, *"There is no number to wealth in your treasury, but man is the highest of all wealth".*

Navoi is eager to convey the ideals of goodness and truth to a wide circle of readers, and therefore he devotes his work to his people:

My labour! Start your way in your native country,
Be welcome to my people,
So that my truthful speech
Could light the hearts of people.

At the same time, a wonderful poet, the greatest thinker and classic of Persian-Tajik literature Abdurahman Jami lived in Herat, who also dreamed of a just ruler, mistakenly believing that good and evil in society are caused only by subjective qualities of the monarch's personality. Therefore, it is sufficient that a just and enlightened ruler with prudent advisers stand at the head of the state, then social injustice will end and the country will achieve economic and social prosperity. At the same time, in his works A. Jami sharply condemned violence, exposed the unholy sources of wealth of the ruling class.

Relationship between Alisher Navoi and Abdurakhman Jami were filled with mutual respect and sincerity. As noted in the sources, in all the poems of "Hamsa", as well as in the works "Nasoim ul-Muhabbat", "Majolis un-nafois" and many others Navoi described in detail the noble qualities of a teacher. Jami also highly appreciated the work of Alisher Navoi, as evidenced by historical sources, where Jami in verse elevates Alisher Navoi:

Although he was a Turk, and I am Tajik,
We were close to each other.

Sultan-Husayn Bayqara, patronized by Jami, came to power in 1468. Famous poet and maecenas Alisher Navoi was the sultan's vezier. The flourishing of Jami's creativity, dating back to the period after 1474, opens with the religious-philosophical kasidahs "Sea of secrets" (1475) and "Shining of the Spirit", in which Jami condemns rationality of Ibn Sina, and with a collection of biographies of Sufi saints "Friendship spirit from the abode of holiness". In 1480-1487, Jami completes the cycle of poems (dastans) "Seven crowns" ("Constellation of the Big Bear").

Sincere and friendly relations between Hazrat Jami and Alisher Navoi are a model for all generations.

Noting the role of labour in creating wealth, Navoi believed that "wealth is good only if it is used by all the people". Meanwhile, the predominant part of wealth was owned by representatives of the nobility.

According to Navoi, taxes are the source of enrichment of the king, they ruin people. He demanded the establishment of a fair tax system. Navoi denounced and branded merchants, officials, clergy, showed their parasitism. A significant place in the works of Navoi was given to state finances. Speaking against waste, he recommended using financial resources in the interests of people, in particular for construction of irrigation facilities, education institutions and improvement of cities for improving the social status of the population. All this can be achieved, according to Navoi, with the help of a just ruler in a state where fair laws are in power.

Of great interest is "Iskander's Book of Wisdom", where Abdurahman Jami expounds his dreams for a better future, the emergence of a free and prosperous city:

That city was of special people.
There was no shah, no princes,
Neither the rich nor the poor. Everyone equal,
People of that country were as brothers.
Their labour was easy, but they
In prosperity were from the fruits of the earth.
Their morals were pure. And country
Did not know that there is war in the world.

In the history of socio-economic thought, the view of the Kazakh poet, philosopher, thinker Abay Kunanbayev, who left the invaluable work on socio-economic thought, is also of great interest. Economic and political, socio-political problems of the second half of the 19th century served as the ideological prerequisites for his creativity.

Deep contradictions, lack of justice in society at first seemed to the enlightener to be a manifestation of the disgusting features of individual administration officials, local authorities, cruelty and ignorance of individuals, therefore the enlightenment of people, according to the representative of the advanced intelligentsia, is a decisive factor in the economic development of the region. Democratically minded educators expressed the idea of conducting economic and social reforms, the need for transition to sedentary life, development of livestock and agriculture on a new scientific basis, as well as industrial development, familiarization with culture and enlightenment, elimination of illiteracy, thirst for science and progress, achieved by other people.

Abay deeply studied the economy of the nomadic economy, revealed its shortcomings and contradictions, and in poetic form in his edifications figuratively described the character of the nomadic aul, its productive powers and production relations. Abay acted as an investigator of peculiarities of nomadic economy, customs, ethnography, issues of the rights of the Kazakh people. In the library of the Statistical Committee, he widely used such books as "Statistics and science of society", "Theory of statistics" (Chuprov), "The emergence of marriage and family"

(Kautsky), "Essay of peasant farming in Siberia", "A peasant community in Siberia" (Kaufman) and others.

In his economic views, Abay highly valued creative initiative in labour, called for the need in unity, supported enterprise, evaluated the principles of strengthening private property, developing cash commodity, market relations, trade, industry, etc. He angrily condemned idleness, mendicancy, theft, horse theft, exposing the vices of patriarchal-feudal relations, their influence on morals, ethics and the sphere of production.

Abay Kunanbay uly was born in Chingiz intermountains of Chingiz region, Semipalatinsk district of the West-Siberian General Governorate (since 1845 – Semipalatinsk region) (according to the current administrative division in Abay district of the East Kazakhstan region) in the family of a rich man Kunanbay Oskenbayev (Uskenbayev) of Tobykty family from the Kazakh tribe of Argyn.

The family of Abay belonged to the local nobility; grandfather (Oskenbay) and great-grandfather (Irgizbay) dominated in their family as rulers and beks.

Abay assesses the state of social division of labour in nomadic household, paying close attention to development of handicrafts as the rudiment of industry. He criticizes the limitations and shortcomings in the work of artisans in the nomadic household, when due to the imperfect sales markets and the primitiveness of handicraft labour, the industry does not develop, as it is more developed in neighboring nations, for example, Uzbeks, Tatars and, of course, Russians. The educator criticizes local artisans for their limitations, unwillingness to learn from other nations. It follows from the above that the educator-democrat, being familiar with the economic literature of his time, knew about the need to develop industry and its importance for a decaying nomadic society, as well as about the role of market relations, the exchange of commodities on the equivalent basis.

Abay highly appreciated the best characteristic national features of our neighboring peoples: Uzbeks, Tatars, Russians, who are adapted to work, agricultural, handicraft manufacturing, trade, science and technology. In the character of the neighboring nations, he noted such positive features as hard work, diligence, high culture, polite treatment of people, and respect for each other.

Abay, being a genius thinker of his time, anticipates many economic postulates known to world science, as evidenced, for example, according to his opinion that knowledge accumulated in science and technology in developed countries should be used by his fellow tribesmen. The enlightener was well aware that wealth (for the

Kazakhs, this concept was associated with the presence of cattle) is not the most important thing in people's lives (it can disappear because of jute, lack of food, and inefficient housekeeping) generation to master the science and technology of their time. These ideas also correspond to modern concepts, when the role of human capital and the intellectual power of society grows. In industrially developed countries, material production in intensive growth of non-production sphere is increasingly becoming secondary.

Abay Kunanbayev, like the great thinker of the East, the Uzbek poet Alisher Navoi, left a priceless legacy. His love for the Uzbek people was boundless. In the "Second word" of the book "Words of edification", Abay emphasizes, "There is no fruit that the Uzbek would not receive, growing it skillfully, there is no country where the Uzbek would not stay, and there is simply no thing that he could not make. For useful troubles, they have no time to track each other, so they are friendlier. Countless wealth, and true piety, and proficiency, and courtesy, everything can be found among the Uzbeks".

One of the outstanding enlighteners of the Uzbek people in the early 20th century certainly is Iskhakhan Tura Junaydullo Khoja Ibrat, who in 1862 was born in Turakurgan of Namangan region in a highly educated and intelligent family. The purposeful and obsessed young man inherited the invaluable, for those times, books on the history of ancient writing, music and culture, the fundamentals of people's behavior in society from the ancestors of Iskhakhan. He spent his days and nights in his father's library, exploring the ethnos of the emergence of various languages and, especially, the differences between the ancient scripts of Phoenician, Hebrew and Greek peoples.

His interests were expanding more and more and he began to scrupulously study first Arabic, then English, French, Russian, Hindi and Urdu. From 1895 to 1935, he visited 34 countries of the world. He was interested in differences between the European and Eastern economies and philosophy. In his articles, he writes about the commonality and differences of two civilizations. Especially in the books "History of Fergana" and "History of Culture", which became in 1920-1930 a kind of bestseller among the Uzbek intelligentsia. From them we learn about the historical reasons of socio-economic breakdown, poverty, low wages and necessity prevailing in the Central Asian states.

Iskhakhan Tura Junaydullo Khoja Ibrat (1862-1937) was an outstanding progressive enlightener, writer, historian, and linguist. He wrote such scientific works as the "Dictionary of Six Languages", "History of Fergana", and the "History of Culture". He is the author of works "Science of Ibrat", "Debt", "Complaint", "Feather", "Appeal to the people of Turkestan" and others.

In the works "Lisan ul-Arabia", "Majmuat ul-hutut" described the history of his grandfathers, the mystical work about Sufis. Ibrat wrote the story of the arrival of the first steam locomotive in Central Asia. They say, there is a scientific kasidah dedicated to the labour activity of a humankind and its results.

The activity of a scientist as a typographer, the founder of a new school and new methods in typography deserves attention. In 1908, he bought lithographic machines in Orenburg and brought them to Kokand by train, then from Kokand to Turakurgan – on camels. How many difficulties he had to endure while he installed these machines in his yard and opened the Iskhokia printing house. This typography worked until the 1960s of the last century. Various scientific and enlightenment books and magazines, brochures, a national newspaper were published here. Among the books, there were works devoted to socio-economic development of Fergana valley. They revealed social and labour relations, improving the efficiency and motivation of employees.

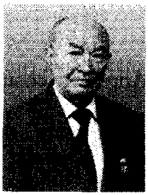
Iskhakhan Tura Junaydullo Khoja Ibrat (Ibrat is a pseudonym meaning "enlightening") in his later works ("Appeal to the people of Turkestan", "Feather" and a series of articles in the "Newspaper of Turkestan"), which later became the main reason for his arrest and death in 1937, wrote about slave labour conditions of dehkans, powerlessness of artisans, arbitrariness of moneybags and merchants, corruption of local officials to the authorities, who do not take measures for protecting entrepreneurs, social support for those in need and creating normal working conditions and payment for all citizens. He emphasized the special place and role of the national intelligentsia, which should involve the masses for modern achievements of Western civilization and the economy, knowledge of languages, customs and traditions of the developed countries of the world.

The words of Iskhakhan Tura Junaydullo Khoja Ibrat, which have not lost their significance in conditions of modern innovative economy, also became winged, "Learn to master science! Consider, if you master deep knowledge, all roads will be open in front of you!"

From a philosophical point of view, a person's life is manifested through his purposeful actions, expressed through the results of his fruitful work for the benefit of others. This is how the People's Poet of Uzbekistan, the Hero of Uzbekistan Abdulla Aripov, defined his attitude to work through his remarkable verses and poems, describing the hard worker.

He writes, "I am sure that despite all the innumerable gifts of nature presented to a man, only deep knowledge and experience of tireless labour activity will allow him to achieve the desired and weighty results in meeting his needs".

An inquisitive look at the real world, an unrestricted opinion about the reasons and goals of human coexistence with nature predetermine his thinking and actions.



Abdulla Aripov (1941-2016) was an outstanding poet, translator, state and public figure, hero of Uzbekistan, people's poet of Uzbekistan, author of the National Anthem of the Republic of Uzbekistan

The poet, in his poems, does not just glorify a man as a divine being, but reveals the essence of his existence in the world, the goals of life in society, which are based on manifestation of his love for another man through his honest work, through his actions, aimed at not personal enrichment, but for the general welfare. Each verse of Abdulla Aripov became a kind of ode to a man of labour, the creator and bearer of innumerable cultural and material wealth, passed down from generation to generation.

The basis of his poems is a deep philosophy, national pride. In his works, social problems are pronounced, which include working conditions, gender problems affecting human capital and the wellbeing of the population. It is impossible not to note his role in the works in the early years of independence, when his poems called on the people to strengthen the discipline of labour in the name of wellbeing and stability in the country.

During the completely literary, social, political activity, every creator lives and works for the interests of a person and people, puts the most pressing problems of labour and life, the problems of modernity, reveals humanism as the theme for disclosure. Hence, the creator devotes all his creativity to the interests of people, and thus will undoubtedly be people's servant.

Abdulla Aripov in his works, in particular, in the poem "Faithful", praises labour:

In loose fiery sands, in depths of steep mountains
Gold flickers, priceless ore glitters.

But if someone does not barely get them,
What is the use of them, covered forever?
May life be devoted to everlasting kindness.
May everyone reach the goal, thanks to the work.
Be a Man, a man, always, in everything, everywhere,
And the eternity of life above you will light its star

Beauty, born in works,
I call the reserved.
Happy who heard in those gardens
Nightingale trills at dawn.

This was the thinking and worldview of the poet Abdulla Aripov, to chant a person, his world and his creative labour.

The outstanding poet-lyricist, sociologist, economist, our contemporary Erkin Vakhidov, the people's poet of Uzbekistan, the Hero of Uzbekistan, distinguished himself in selfless service to his people, the man of labour and love.

Erkin Vakhidov was engaged in public and state activities, was the chairperson of the Committee on Science, Education, Culture and Sport of the Senate of the Oliy Majlis.

Erkin Vakhidov (1936-2016) was outstanding poet, playwright, state and public figure, Hero of Uzbekistan, people's poet of Uzbekistan

In the poem "Native Land", he tells about why the land on which the farmer (peasant) works becomes sacred for us. He himself answers: a farmer, cultivating the land, puts his whole soul into it, coordinates his future and, if necessary, his life with the crop, which will be grown thanks to his labourious work. In addition, the word "painstaking" means the blood and sweat of the farmer, which covers every inch of land cultivated by him. Erkin Vakhidov exalts the common farmer to the rank of saints during the life because of hard and not always thankful work, linking the fruitfulness of land with the wellbeing of the farmer.

In the poem "Native Land" Erkin Vakhidov praises labour:

But patience and labour put into land,
And fields of it are lavishly watered,
And native land, where seedlings bloom,
For this, they praise with great honor.

Here is the poem "Sorrow of needle", expressing the idea of value, perhaps, not scale and not conspicuous, but hard and necessary daily work, as well as the natural need to be grateful for such work.

Erkin Vakhidov in his poems glorified the work of teachers, physicians, scientists and the achievements of outstanding athletes. He believed that love and dedication to the profession lies based on any work. Erkin Vakhidov believed that if there were no such love for the profession, then by no means would a person become a professional in his work.

The educational significance of Erkin Vakhidov's poems for youth has special features. First of all, this knowledge and pride in their ancestors, high respect for the values that they preserved and endured to us, despite the persecution and repression during the years of totalitarianism, respect for the achievement and enhancement of national culture and sports.

Works of Erkin Vakhidov is a manifestation of high attention to the development of the national economy and improving the welfare of people, decent work incentives. The work of the famous poet and his place in Uzbek literature are of particular importance in educating the young generation in the spirit of love and devotion to the Motherland and people, respect for national values.

Erkin Vakhidov in the work "Revolt of spirits" notes, "A person can live for one whole century. Nevertheless, human life is not measured by years lived, but by work carried out by him. Therefore, the effective work of a person is not durable. But at the same time, a person can work all his life depending on the capital invested in him".

Erkin Vakhidov often participated and spoke at conferences as a deputy of the Legislative Chamber of the Oliy Majlis of the Republic of Uzbekistan on economic development, innovative development of economic sectors, spoke about the development stages of the digital economy, was interested in inflation issues, the reasons for price increases, depreciation of the national currency.

However, Erkin Vakhidov always raised the issue of proper organization and wages at the center of all social and economic problems. He believed that only a highly qualified employee, built on a competent and modern management system, would give a positive result of labour.

1.4. Development of views on labour and entrepreneurship in the era of Amir Temur and Temurids

Amir Temur was a great ancestor of Uzbek people. One of the most prominent periods in the history of the statehood of Uzbekistan is associated with the name and outstanding transformations of the great ancestor of Uzbek people Amir Temur, the world famous statesman and commander.

Amir Temur became the founder not only of the centralized state in Maverannakhr (the Syrdarya and Amudarya), with a capital in Samarkand, but also a huge empire, which included Khorezm, Caspian regions, territories of modern Afghanistan, Iran and Iraq, partly the South Caucasus and India, as well as several countries in Western Asia, including Turkey.

Amir Temur (1336-1405) was a great statesman and commander, strategist, founder of a powerful centralized state. An outstanding reformer and creator, patron of science and culture.

Thanks to his historical, state-building activity, support for political and economic stability in the vast area of the Near and Middle East, he restored the main route of the world trade transcontinental highway, the Great Silk Road and ensured prosperity of the state.

Amir Temur, in his strategy, attached great importance to economic issues for strengthening the power of his state. First of all, the ruler took care of the economic growth of his state.

Amir Temur also formed a new differentiated tax system, taking into account the peculiarities of the economy, the nature of management, the living conditions of the population. Local officials were forbidden to raise tax rates by themselves. A thoughtful monetary policy, single and obligatory for the entire state, was considered by Amir Temur as the most important element of its successful economic development, since, by activating economic life, trade, it created the internal market, uniting the possessions of Amir Temur into a single whole. In addition, money was used as an important political tool for ensuring the unity of the state, the succession of its sovereign rulers.

In the state, much attention was paid to development of handicrafts, agriculture, cattle breeding, trade and communications as important sources of economic power.

As Amir Temur stated, a person is a power governing the state in ensuring the wellbeing of society, therefore he argued: it is necessary to solve the ninth part of state affairs by means of advice. The great ruler, having realized the intellect of science and education as one of the predominant factors in development of human society, attached great importance to the intellect and to the inner creative abilities of a man.

He placed one reasonable person above numerous, but inexperienced people, "Victory is not in strength, but in the mind". Here we are aware not of the physical, but of the mental ability of a person, which facilitates his life. Consequently, in the era of the Temurids, great importance was attached to the development of human capital and labour relations, which in the current conditions of economic development can be called the role of a man in development of social and labour relations. In "The Code of Temur", he always paid attention to the intellect and mental activity of a person. Amir Temur attached great importance to the quality of education and training qualified personnel: he greatly respected smart and intelligent people in every aspect of life.

Amir Temur considered the scientific works as the main tool for development of knowledge, profession and training highly qualified personnel, believed that a book or written work would allow people to learn how to use and live correctly for long times. In evaluating the book, he believed that it was of great importance in educating people, raising the level of consciousness, in educating, creating, and was the basis of knowledge and a teacher.

An important direction of Amir Temur's internal policy was the settlement of Maverannakhr, replenishment of his labour resources, great damage to which was inflicted by the Mongol conquest, which resulted in enormous human sacrifices.

Stability of the central government of Maverannakhr and Khorasan, conduction of construction works in large cities and on their outskirts, as well as expansion of irrigated agriculture contributed to development of crafts and cash commodity relations, which played a significant role in the economic life of the state. During the reign of Amir Temur, many crafts developed at an accelerated pace, which allowed to increase the production of consumer commodities.

During this period, such cities of Maverannakhr as Samarkand, Bukhara, Tashkent, Shakhrukhiya, Termez, Kesh, Karshi and many others, due to their geographical position, developed internal and external relations, employment of the population, became exemplary crafts centers, which led to a change in the topography of cities, a lively trade of the medieval East. In many cities, areas of jeweler artisans, tinsmiths, needlemen, chain mailers, stonecutters, glaziers, and curriers appeared. With the revival of trade, the number of stalls closed by domes of the central bazaars, Chorsu, increased.

Amir Temur attached great importance to development of agriculture and irrigation as the economic basis of life of the state. The irrigation system, which was destroyed during the Mongol invasion, had been restored by the end of the 15th century. Large irrigation canals were removed from large and small rivers of Maverannakhr and Khorasan, many water constructions, dams, qanats, reservoirs, basins and others were built, which improved the water supply of villages, where water shortage was particularly acute.

Vast lands were developed, and development of virgin lands and any other useful initiative in agriculture was greatly encouraged. The initiators for several years were exempt from all taxes and fees. Development of virgin lands expanded irrigated agriculture. New villages, country estates and gardens were created.

Some of the land was considered the property of a rural community or family. It was an ancient form of property, and it was preserved mainly in the mountainous and foothill areas. Collective ownership was also formed when small mountain streams were used, when rising to the surface of groundwater by community powers, and when building new reservoirs and qanats.

The subject of Amir Temur's important concern was the development of domestic and caravan trade. Old roads and bridges were reconstructed and new ones were built. For the convenience of merchants and travelers, caravanserais (hostels, hotels) were erected. They were located at a distance of a day's journey along the main roads, in large cities of Bukhara, Shakhrisabz, Fergana, Turkestan and other settlements.

Amir Temur not only created a powerful centralized state, but also clearly defined its structure, adopted laws set forth in the "The Code of Temur", a unique document of the era, a kind of medieval constitution. In this famous work, he writes, "Whatever territory I conquered or whatever territory joined the empire, I ordered to clean the littered ditches, fix and build bridges on the rivers and erect caravanserais one day away. Caretakers and road guards served at the caravanserais. They cared about the safety of travelers and were responsible for thefts that were made there. In each city, I ordered to build a mosque, a public school, a poorhouse for the poor and needy, and a hospital. I demanded that the city council and the court chambers were built in the cities; I have established a special guard for people behind the sown fields and for the safety of citizens".

Amir Temur created a unique state office for the effective political management of his empire. State administration under Amir Temur was carried out by two departments – Dargah and Divan. Dargah was headed by the ruler himself.

Executive power was governed by divanbegi (chief vizier, minister), which consisted of seven more viziers. They compiled reports on population size, trade and culture development, the state of supervision in the country, informed the governor about the work of the administration, the state of affairs in provinces, the collection and distribution of taxes, imposts, etc.

Each of the viziers performed their specific functions. The first vizier for state and civil affairs was engaged in issues of harvesting, taxes from viloyats (regions) and tumans (districts) and their distribution. The second vizier for military affairs was responsible for issues of allowances and armaments of the army, informed about the state of military affairs in the state. The third vizier for trade affairs collected taxes from herdsmen and engaged in inheritance issues. The fourth vizier monitored the financial condition of the institutions and governed the state treasury. At the court, the positions of three more viziers, who were in charge of the state of affairs in provinces and dependent possessions, vassal states, as well as in charge of state property issues, were introduced. Thus, Divan represented the main control department in the state.

According to Amir Temur, viziers should be people morally clean and possess the following qualities: nobility and greatness, intelligence and insight, awareness of the position of the troops and citizens, the ability to deal with them, temperance, tolerance and peacefulness.

In addition to the main executive administration, Divoni-Buzruk, each region had its own administration, a divan.

"The Code of Temur" begins with a statement of 12 principles of the state governance. Temur bequeathed to his descendants, "Let these rules serve as a guide for them both in their behavior and in the state governance, so that they could preserve the state that I leave them".

In "The Code of Temur" 12 principles were identifined, which guided him:

1. The ruler should govern only by himself, that is, no one should govern him.

2. The compliance of justice, as well as the ruler must choose incorruptible and virtuous first minister (vizier).

3. Orders and prohibitions require firmness. It is necessary for the ruler to make decisions so that no one could change them.

4. The ruler must be firm in his decisions.

5. Whatever the orders of the monarch are, they should be immediately executed. No citizen can be so powerful and courageous to stop their execution, even if it seemed that these orders could have serious consequences.

6. Security requires that the rulers did not rely on others in public affairs and did not entrust the reins of government to the wrong hands.

7. He should not disregard anyone's advice and wishes.

8. In the affairs of government, he should not be guided by the behavior and speeches of anyone.

9. Respect for the ruler's authority must take place in the hearts of his people and troops so firmly, so that no one could disobey the ruler.

10. Whatever the monarch will do, he must himself be steadfast in orders, given once and for all, for firmness is the greatest power for a ruler.

11. In the administration, when promulgating orders, the monarch should beware of recognizing somebody as a companion and he should not employ a comrade in government.

12. Another important precaution is to recognize those that surround him, and be constantly on guard regarding them.

Amir Temur paid great attention to the moral and labour qualities of ministers and other officials. First of all, he demanded from them diligence and elevation of soul, subtle and insightful mind, experience and habit to live among people.

In the "The Code of Temur", the importance of punishing all those who violate the laws, abuse authority, do not fulfill their labour duties is emphasized. Especially he was strict with violators of labour discipline. The rules of moral and material encouragement of hardworking workers and officials are also stated.

"The Code of Temur" defines the principles of tax policy. "When collecting taxes, one must be careful not to burden the people with taxes or to devastate the provinces, because the ruin of people leads to impoverishment of the state treasury". Taxes were determined by land productivity and were differentiated.

In the era of Amir Temur, the support of entrepreneurs, creation of favorable conditions for their activities formed the basis of the economic policy, which is based on the ideas and activities of the ruler Amir Temur. In the era of Amir Temur and the Temurids, tremendous success was achieved in all spheres of the economy, in handicrafts, construction, agriculture and especially trade. An important factor in these results were thought-out economic ideas, proper economic policies and support for entrepreneurs.

Amir Temur has developed unique methods of managing the state and the economy. Therefore, in the modern conditions of Uzbekistan, the ideas and opinions forwarded by Amir Temur are relevant for the education of today's youth. Moreover, the noble principles of the great ancestor regarding building a strong state, a just society, strengthening the environment of cohesion and mutual respect, ensuring national welfare today have become criteria for socio-economic and spiritual life of the Republic of Uzbekistan.

His life-confirmed idea "One enterprising, decisive, courageous and prudent man is better than a thousand irrational and weak-willed" and today serves as the main driving power for development of society and education of modern youth.

Being the sole ruler, Temur, nevertheless, considered it necessary to conduct periodic kurultais, to which all the princes, nobles, chief officials, administrators, and military leaders were invited. The legal norms of the legal legislation established by Amir Temur, which provided for the provision of normal conditions for all aspects of the life and activity of the people and the state, were strictly observed. They served as the basis for the fair governance of the country.

Amir Temur's economic views were continued by his grandchildren and great-grandchildren. One of the great statesmen and scholars was Mirzo Ulugbek.

Mirzo Ulugbek was known as an outstanding mathematician, astronomer, enlightener and poet of his time, he was also interested in history and poetry. He founded one of the most important observatories of the Middle Ages.

Born on March 22, 1394 in the city of Sultania during the five-year campaign of his grandfather Tamerlane. His father was the youngest son of Temur, Shakhrukh (1377-1447). Mother, Gaukharshad begim, the daughter of a representative of the Turkic family kishlyk Giyasiddin Tarkhan. The real name of Mirzo Ulugbek was Muhammad Taragay. So he was named in honor of Temur's father. However, he became more known as Ulugbek. The name Ulugbek is Turkic and means "great or senior Bek"

European astronomers have learned the star catalog of Ulugbek after its publication in 1648 in Oxford, one of the oldest centers of science and culture in England, where the main work performed in the famous Samarkand Observatory of Ulugbek was first partially published. The paper was prepared for publication and commented on by John Greaves (1602-1652), a professor of astronomy at the University of Oxford. Later fragments of the catalog were published in England more than once.

Under Ulugbek, Samarkand became one of the world centers of medieval science. Here, in Samarkand in the first half of the 15th century, a whole scientific school arose around Ulugbek, bringing together prominent astronomers and mathematicians Giyasiddin Jamshid Kashi, Kazizadeh Rumi, Ali Kushchi. The historian Khafizi Abru, who wrote a remarkable work on the history of Central Asia, the famous physician Mavlono Nafis, poets Sirajiddin Samarkandi, Sakkaki, Lutfi, Badakhshi and others lived in Samarkand at that time.

The monetary reform carried out by Ulugbek in 1428 positively influenced on development of the country's economy. In addition, he increased the "tamga" customs duty in order to increase profits to the state treasury.

Of course, entrepreneurship is largely dependent on the overall state of domestic and foreign trade. Therefore, Temur and his successors paid great attention to the expansion of trade, which played an important role in the economic life of the country. Taking into account the above, Amir Temur left his successor the Code, where it is noted that in order to improve entrepreneurship, trade and increase welfare and protect the population, it is necessary "... to build qanats in abandoned lands, repair destroyed bridges, build new bridges over the rivers and canals; on the roads at a distance of one-day transition, build a hostel; put supervisors and guards on the roads. To place several people at each hostel to monitor the condition and safety of the roads, and to protect the property of travelers arriving there, build mosques, madrasas, khanaka, langar-khans for the poor, hospitals in each city and village, and assign physicians there. In each city, it is also necessary build a building for local rulers and judges. To appoint an armed guard for protecting crops and people". New markets were built, covered with roofs in the central cities of Maverannakhr and Khorasan. Trade between external and internal regions and countries was intensified.

In general, during the reign of Mirzo Ulugbek, the organization of structures of domestic and foreign trade, handicrafts, agriculture, cattle breeding, social and labour relations and labour motivation occupied an important place in development of the country's economy. In the research period, the process of specialization of crafts in Maverannakhr was accelerated and many new types of crafts appeared, in turn, he paid great attention to social support for low-income population. Some handicrafts acquired artistic perfection and rose to a higher level.

Close diplomatic relations with other countries contributed to the revival of caravan trade, as well as development of trade. Thus, knitted goods, velvet, silk products, paper, dried clothes, rice, cotton and yarn were sent from Samarkand to foreign countries, especially to Russia, Tatarstan and Siberia at low prices. This allowed creating new jobs and increasing employment in the era of Mirzo Ulugbek.

In the history of Uzbekistan, the name of Zakhiriddin Muhammad Babur stands on a par with such figures as Jaloliddin Manguberdy, Amir Temur, Mirzo Ulugbek and Alisher Navoi. Temurid prince, who created the Baburids' empire in India, was a devoted son of his homeland and fought for its wellbeing until the end of his days.

In his capital, Agra, Babur gathers around himself many outstanding writers, poets, artists, and musicians of that time. It should be emphasized that the Temurid rulers had always contributed to development of culture, economics and science.

Babur was born on February 14, 1483 in Andijan, in the family of the emir of Fergana Umar Sheikh Mirza II, great-grandson of Temurid sultan Miran Shah, third son of Tamerlan. Babur was Temurid on father's side, and his mother was from the Genghisid lineage, he considered Chagatai Turkish his native language, while he also knew Persian well. The British researcher of the heritage of Babur Annette Beveridge in the early 20th century, calls him Turkish barlas

Issues of morality and spiritual perfection of a man are raised in the works of Babur. Babur elevates the working person, treats him with great respect:

Where a person has shed the sweat of zeal,
Man will reap the fruits of immortality.

Information about mineral resources in the region, Central Asia, and their purpose in the economic life of the country is extremely valuable in Baburnama. The priceless literary memoirs, which the well-known orientalist V. Barthold called "the best work of Turkic prose", gives detailed descriptions of the life and labour activities of various tribes that lived in the vast territory between Vakhsh and Punjab.

Although Baburnama is devoted to political history, however, it is also replete with priceless materials from the socio-economic life of nations, and addresses issues of morality, ethics and other aspects of the modern era to the author.

Babur pays special attention to natural wealth of each geographical district, which are important for development of the community. This is natural, since identifying necessary economic resources of the country was very important for Babur.

In India, Babur constantly sought to strengthen trade and economic ties with Central Asian countries and other states.

Absence of land and tax legislation and some other socio-economic factors prompted Babur to write an essay, where the basic norms of Muslim law were stated. Therefore, his next work, Mubayyin, appeared.

Babur considered his essay as a guide for governing the state, the provisions of which should have contributed not only to a significant stabilization of the state tax system, but, as a result, to improve the economic situation of the population, socially protect and improve its welfare.

This document has reached our days and is evidence of the established close trade, economic and friendly ties between Russia and India.

Babur was one of the greatest men of his time. Having created one of the strongest empires in the history of the East, he nevertheless remained in the soul an ardent patriot of his homeland and until the end of his days, sought to establish diplomatic and friendly ties.

1.5. Formation of traditions of entrepreneurship development in Uzbekistan

The current territory of Uzbekistan is considered one of the centers of ancient agriculture. Here, even before our era, people learned to grow cotton, grains, melons, grapes and other crops. Deserts and virgin lands of the region were used for development of livestock.

The population engaged in farming mainly cultivated agricultural crops, often in the lower reaches of rivers that do not require watering. But with the increase in the population engaged in cultivation of grain and industrial crops, vegetables and fruits, a gradual transition to irrigated agriculture began. Canals, other irrigation facilities were built. Formation of dehkan farms began, a division of labour appeared. All these changes contributed to development of craftsmanship. Not only more improved tools, but also household utensils, clothes, shoes were required for farmers, livestock breeders, and their families. The leading place in the craft industry belonged to textile, ceramic, tin production, as well as metal products manufacturing. A variety of fabrics such as painted cotton, white calico, fine golden gauze was made from silk, wool and cotton.

Among the metalworkers were masters in manufacturing hobnails, horseshoes, wires, knives and other things. Professionals owned various methods of processing and forging metal in manufacturing things. Outside, they were often decorated with artistic gold and silver trim, which was a rather complicated technological process.

Among the most developed handicrafts of that time were distinguished ceramic production, making cups, large containers, ewers, jugs, clay furnaces, tandoors, etc. Glazed products, which differed in the variety of color gamma and high quality, were very popular. The dishes covered with glaze, lyagans (big plates), lamps and candlesticks were highly artistic items. In addition, ceramists produced water pipes, clay jugs for water-lifting mechanisms. Majolica tiles were also manufactured, which were in great demand among the population.

The basis of prosperity of handicraft was the location of Maverannakhr on the transit trade route, as well as the proximity of the ore base. It was at this time that the mines of Chatkal and Kuramin mountains were actively developed. Copper, iron and tin were mined here in addition to gold and silver.

An Arab geographer who traveled around Central Asia (about 850-934) testified that quicksilver, gold and other things are most of all mined in Maverannakhr: this land is so replete with material benefits that its inhabitants can fully satisfy their needs with their own means, without turning to the production of other countries[1].

The concept of "entrepreneur" appeared in the 18th century and often associated with the concept of "owner". It was founded by the English economist Richard Cantillon, who first introduced the term "entrepreneur" into economic theory. By his definition, an entrepreneur is a person with uncertain, non-fixed incomes, a peasant, an artisan, a trader, a robber, a beggar, etc. He buys commodities of others at a known price, and sells at a price that is unknown to him so far. It follows that risk is the main distinguishing feature of an entrepreneur, and its main economic function is in bringing the supply in line with the demand in various product markets.

Classics A. Smith and D. Ricardo considered an entrepreneur, primarily as a carrier of rationality. A. Smith in his work "An Inquiry into the Nature and Causes of the Wealth of Nations" gave a description of the entrepreneur and his role in the economy. By his definition, the entrepreneur himself introduces capital, plans, organizes production and manages the results of his labour. His profit is compensation of the owner for the risk.

In the 19^{th}-20^{th} centuries, the realization of the meaning and role of the entrepreneurship institute begins. The American economist J. B. Clark (1847-1938) substantiated the idea that four factors are constantly involved in the production process: capital; capital commodities, the means of production and land; the activity of the entrepreneur; worker's labour.

German scientist Johann Heinrich von Thünen (1783-1850) justified the specifics of an entrepreneur's activity, his functional role, unlike the manager or capitalist-owner. The state employee's income is guaranteed, but the entrepreneur's is not. Therefore, his risk must be compensated by a greater profit than the employee's. The entrepreneur must receive income for both risk and entrepreneurial art.

The Austrian economist Friedrich von Hayek (1899-1984) took a fresh look at this problem. In his opinion, the essence of entrepreneurship is the search and study of new economic opportunities.

Entrepreneurship is the main driving power of the market economy development. Outstanding economists Alfred Marshall (1842-1924) and Joseph

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[1] Al-Istakhri. A Book of Routes and Countries // Ancient and medieval sources on ethnography and history of Sub-Saharan Africa. – V. 1. – Arab sources of the 7^{th}-10^{th} centuries. – M. L.: USSR Academy of Sciences, 1960.

Schumpeter (1883-1950) paid attention to this. Thus, describing the market economy, A. Marshall pointed out that its main feature is "freedom of production and entrepreneurship". The real role of entrepreneurs, according to A. Marshall, in the life of society is that with their innovations they not only create a new order, but also accelerate the process that have already matured in society. According to J. Schumpeter, the entrepreneur constantly performs "creative destruction", being the main figure in the economic development of society.

These and other characteristics of entrepreneurship allow interpreting this economic category as an economic activity of individuals and legal entities. The purpose of this activity is to obtain profit. Entrepreneurship entities can be, first of all, private individuals, organizers of individuals, family, as well as larger production. The activity of such entrepreneurs is carried out based on both their own labour and hired labour. Entrepreneurial activity can also be carried out by a group of persons connected by contractual relations and economic interests.

Entrepreneurship in Uzbekistan, as noted above, has a long history, but its market forms, the process of creating industrial, trading, financial firms has intensified at the end of the 19th century, when their number has increased dramatically. It is noteworthy that the circle of major businesspeople of the region of the production and industrial sphere of the application of capital is initially formed based on trade and commercial direction of business activity. Back in the 1890s, ancient merchant dynasties began to invest their capital in the purchase and primary processing of cotton, i.e. the process of integrating the financial, commercial and industrial spheres of entrepreneurship began in real economic practice. This integration process served to concentrate capital, increase its investment activity and contributed to the development of the regional economy.

In connection with the rapid growth in production and export of cotton from Fergana valley, trading, purchasing, marketing firms, transport companies specializing in purchasing and exporting cotton have emerged in Kokand, Andijan, Asaka, and Margilan. Moreover, such commercial structures were not distinguished by a clear specialization in cotton operations in Samarkand region, Tashkent district, Bukhara Khanate, Khiva Khanate. In addition to cotton, they simultaneously were engaged in the purchase and sale of all agricultural products, the sale of local and imported manufactured commodities.

At the beginning of the 20th century, in our region, 96 out of 256 existing factories were owned by foreign firms. The rest were owned by local entrepreneurs who resell the vast majority of cotton to the same foreign firms. At the same time, only some domestic business structures had their representative offices in the central cotton markets and exported fiber themselves outside the Central Asia.

Commercial, purchasing and sales operations with cotton brought a considerable income, which served to intensify the financial and banking activities in Uzbekistan. In 1912, financial services in the region were rendered to the business community by 7 branches of the State Bank of Russia and 40 commercial banks.

Thus, with the transition of Uzbekistan to market relations, the development of small business, entrepreneurial activity of the population began in Uzbekistan not from scratch.

However, after the October Revolution, by the end of 1920, 1,075 industrial enterprises (mostly not large ones), in which collective labour power was introduced, were nationalized in Turkestan. As a result, state-owned enterprises covered 90% of hired workers. The state-owned enterprises accounted for almost three-quarters of the gross industrial product. Only artel artisans and handicraftsmen were left in charge of private and cooperative ownership. The number of workers in them should not exceed 4 people.

In 1925-1929, under the pretext of development of commodity production in agriculture in Uzbekistan, land and water reform was carried out. The land, animals, labour tools exceeding the norms established by the state were forcibly withdrawn from rural workers. In 1928, agricultural cooperatives were organized, and in 1932, based on them, collective farms. By the end of the same year, 81.7% of all dehkan families were covered by collective farms. Instead of 800 thousand dehkan farms, 9734 collective farms and 94 state farms were created.

As the President of the Republic of Uzbekistan Shavkat Mirziyoyev emphasizes, "indeed, we can achieve progress and prosperity only through active entrepreneurship, tireless work and determination"[1].

Comprehensive institutional and structural reforms aimed at reducing the state's presence in the economy, *further enhancing the protection of the rights* of business entities and the priority role of private property, comprehensively stimulating business initiatives and startups are carried out in the country in accordance with the Action Strategy for five priority areas of development of the Republic of Uzbekistan in 2017-2021.

Over the past few years, measures have been taken to improve the normative and legal framework and regulatory procedures in the field of conducting entrepreneurial activity, creating a favorable business environment and a positive image of the country in the international arena. Thanks to measures taken in 2014-2018, Uzbekistan has risen from the 146th to 76th place in Doing Business ranking of the World Bank and the International Finance Corporation among 190 countries of the world.

Along with this, Uzbekistan entered the top ten reformer countries in the world on creating the most favorable conditions for entrepreneurship.

As the President of the Republic of Uzbekistan noted, "... active entrepreneurship is a direction in the economy when business activity is organized on the basis of innovative, modern approaches, advanced technologies and man-

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[1] Address of the President of the Republic of Uzbekistan Shavkat Mirziyoyev to the Oliy Majlis // Narodnoye Slovo (People's word), December 29, 2018

agement methods. When we say "active entrepreneurs", we mean business people capable of producing competitive products, most importantly creating new jobs that bring benefit not only to themselves and their family, but the entire society"[1].

The Roadmap and target indicators were developed for further improving the ranking of the Republic of Uzbekistan in Doing Business annual report of the World Bank and International Finance Corporation.

The order is established in accordance with which:

1) in the field of state registration of business entities:

– banks can remotely open bank accounts to legal entities, whose founders are residents of the Republic of Uzbekistan, and individual entrepreneurs in the process of their state registration, if the necessary conditions exist for remote identification of applicants according to the requirements of the Financial Action Task Force on Money Laundering (FATF);

2) in the field of obtaining building permits:

– the procedure for determining the exclusive intended purpose of land plots is canceled when placing them through an auction on the electronic trading platform "E-IJRO AUKSION" with the obligatory indication of an exhaustive list of the types of objects, the construction of which is prohibited or permitted on a particular land plot;

– functions of architectural and town-planning councils are transferred to the construction authorities in coordination of design and estimate documentation with preserving for advice only functions in coordination of the design and estimate documentation of facilities erected in historical zones, including in protected zones of cultural heritage monuments, as well as state facilities;

– the cost of activities on updating the topographic and special surveys (if necessary) carried out after putting the building into operation on the land plots realized through an auction on the electronic trading platform "E-IJRO AUKSION" is paid within the funds received from the sale of land, without interfering in the activities or any burden of owners of the land and real estate;

– acceptance certificate for the operation of completed construction of buildings and facilities is issued simultaneously with an extract from the certificate of state registration of rights to the property;

3) in the field of connection to the power supply system:

– economic sanctions are applied for unauthorized disconnection of consumers from the power supply;

4) in the field of property registration:

– an application for state registration of rights to real estate and cadastral registration may be filed on an extraterritorial basis;

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[1] Mirziyoyev Sh. M. «Address of the President of the Republic of Uzbekistan to the Oliy Majlis» of December 22, 2017. – URL: https://president.uz/ru/lists/view/1371

– when individuals and legal entities apply for notarial certification of transactions and certificates related to the acquisition of property rights for real estate, notary offices in compulsory order send an application on state registration of rights to real estate objects and relevant documents to the state registration body, through information and communication systems free of charge;

– the requirement for circulation and issuance of the cadastral business on paper with the introduction of the mechanism of circulation and preparation of the cadastral business and cadastral documentation for real estate objects in electronic form is canceled;

5) in the field of protection of minority shareholders:

– shareholders are granted the right to bring in a court order an interested member of the supervisory council to be responsible for the damage caused to society as a result of concluding a major transaction and transactions with affiliates, the amount of which is 10 or more percent of the value of the company's net assets;

– a conflict situation that has arisen due to the failure to reach an agreement on any issue of the company's activity with limited or additional responsibility due to the lack of a sufficient number of votes for making a decision is resolved judicially;

– a mechanism of payment of accrued dividends on shares through the Central Securities Depository or investment intermediaries is being introduced;

6) in the field of international trade:

– issuing a certificate of origin of commodities, along with the Ministry of Investments and Foreign Trade, is also carried out by the Chamber of Commerce and Industry of the Republic of Uzbekistan on the basis of an application-declaration of a participant in foreign economic activity in a period not exceeding one working day from the date of filing the application;

7) in the field of ensuring contracts execution:

– an order is introduced allowing to hold a pre-trial hearing in the economic court as a method for resolving disputes;

– a unified electronic system of accounting and payment by the population of all payments in criminal and civil courts, administrative and economic courts, including the state duty, is being introduced[1].

As a result of implementation of these comprehensive measures, Uzbekistan intends to rise in 2022 in Doing Business ranking of the World Bank and the International Finance Corporation to the 20th place.

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[1] Resolution of the President of the Republic of Uzbekistan of February 5, 2019 "On additional measures for improving the ranking of the Republic of Uzbekistan in Doing Business annual report of the World Bank and the International Finance Corporation" // Narodnoye Slovo (People's word), February 6, 2019

CHAPTER II.

LABOUR ECONOMICS – LABOUR STUDIES

2.1. THE ESSENCE OF "LABOUR ECONOMICS" STUDY AND ITS STRUCTURE

Labour economics is a branch of economics that studies the process of reproducing labour power and interaction of workers, means and objects of labour. Labour economics analyzes the labour market, labour resources and employment, long-term analysis of labour relations, examines employee income and wages, studies productivity and labour efficiency problems, develops methods for substantiating the number of employees, considers the concept of human capital.

Labour economics is a system of innovative knowledge in the field of social and labour relations of workers, employers and the state. The study of "Labour Economics" is a modern science, investigating the organization and functioning of labour markets, government policy related to innovative solutions of market participants, employment of the population and payment for their labour.

Labour economics has emerged as a result of improving research carried out in the areas of economic history, development economics, education economics, environmental economics, resource economics, finance economics, health economics, international trade, econometrics, macro and microeconomics.

Harvard University has a department of economics, its students study the theory of economics, econometrics, finance, macroeconomics, international trade relations, monetary and fiscal economics, and other economic sciences.

The school of "scientific management" or "scientific organization of labour" that emerged at the beginning of the 20^{th} century in formation of science, labour economics was of great importance. The main provisions of this school on the economics of labour were set forth in the works of the American engineer Frederick Taylor "Shop Management" and "The Principles of Scientific Management". He was the first to put forward the principles of attracting workers to labour activity based on scientific selection, the maximum use of their potential, the improvement of workplaces, the development of a labour incentive system.

Taylor stubbornly insisted that the lion's share of revenue growth as a result of introduction of "scientific management methods" should be given to workers, not business owners. Taylor wrote in his work "The principal object of management should be to secure the maximum prosperity for the employer, coupled with the maximum prosperity for each employee".

Frederick Winslow Taylor (1856-1915) was an American engineer, one of the founders of the scientific organization of labour and management.
Works:
The Principles of Scientific Management

Taylor also believed that the power in enterprises should not belong to its owner only based on property rights. It should be managed by specially trained people who are called managers in current terminology.

With all the flaws of its theory, the spirit of partnership between the entrepreneur and the worker, proclaimed by Taylor, became the basis of humanization of labour. In subsequent management theories, the human factor became the central factor of productive management. "There will be no countries rich and poor – there will be countries that are educated and ignorant", Taylor wrote, implying management as a source of knowledge.

French theorist Henri Fayol was the founder of the administrative (classical) school of management. He first forwarded the idea that management activity is an independent object of scientific research.

H. Fayol distinguishes five management functions, which have independent directions, but at the same time related to other areas of the management process: to plan, organize, issue orders, coordinate and control.

Henri Fayol (1841-1925) was French mining engineer, theorist and administrative practitioner, founder of the administrative (classical) school of management.
Works:
Administration industrielle et générale. – Paris: Dunodet Pinat, 1917

He also suggested the widely used 14 principles of management, which have not lost their significance to the present. 14 principles of management by Fayol:

1. Division of Work. This is the principle of specialization, which is very well expressed by economists as being a necessary factor for efficiency in the utilization of labour.

2. Authority and Responsibility. In this principle, Fayol conceives authority as a combination of official authority deriving from a manager's official position and personal authority, which is compounded of intelligence, experience, moral worth, past services etc.

3. Discipline. Discipline is respect for agreements, which are directed as achieving obedience, application, energy and the outward marks of respect. Discipline requires good superiors at all levels, clear and fair agreements and judicious application of penalties.

4. Unit of Command. An employee should receive orders from one superior only.

5. Unity of Direction. Each group of activities having the same objectives must have one head and one plan.

6. Subordination of Individual Interest to General Interest. The interest of the group should supersede that of the individual. When the interests differ, it is the function of the management to reconcile them.

7. Remuneration of Personnel. Remuneration and methods of payment should be fair and should be able to afford the maximum satisfaction to employee and employer.

8. Centralization. Authority is concentrated or dispersed in on enterprise. Individual circumstances determine the degree of centralization that gives the best over all yields.

9. Scalar Chain. Scalar chain as a line of authority, a chain of superiors from the highest to the lowest ranks. And, because it is an error of a subordinate to depart needlessly from the lines of authority, the chain should be short-circuited.

10. Order. It is a simple edge for everything.

11. Equity. This principle is one of eliciting loyalty and devotion from personnel with a combination of kindliness and justice in managers while dealing with subordinates.

12. Stability of Tenure of Personnel. This principle of management represents deployment and managing of personnel and this should be in balance with the service that is provided from the organization. Management strives to minimize employee turnover and to have the right staff in the right place. Focus areas such as frequent change of position and sufficient development must be managed well.

13. Initiative. Initiative is conceived as the process of thinking out and executing a plan. This encourages interest and involvement and creates benefit for the company. Employee initiatives are a source of strength for the organization.

14. Esprit de corps. This principle implies that union is strength and an extension of the principle of unity of command.

In Western countries, the main object of research in the field of labour economics was the labour market. In the second half of the 1920s, the quantitative research carried out by the American economist Paul Douglas in the field of labour supply, demand for it and real wages was of particular importance. These studies were based on the theory of classical and neoclassical schools. Consideration of social issues using a broad economic analysis served as a significant expansion of the object of study.

Paul Douglas noticed that the distribution of national income between capital and labour almost does not change over time, and workers and owners of capital equally enjoy the benefits of economic prosperity.

Development of economic science is currently associated with the following innovative changes:

– firstly, if at the previous stages the activity of enterprises was determined by the management of human resources, at present it is directly influenced by the external environment;

– secondly, the role of the individual as an object of research in labour economics has significantly increased. Its various characteristics began to change not only in enterprises, but also in small production units.

Paul Howard Douglas (1892-1976) was an American economist, one of the authors of the production function, President of the American Economic Association.

Works:

Real Wages in the United.States, 1930;
The Theory of Wages, 1934;
Economy in the National Government, 1952;
Comments on the Cobb-Douglas Production Function // The Theory and Empirical Analysis of Production / ed. by M. Brown – 1967

From the above, we can conclude that the subject of "Labour Economics" study is a reasonable innovative activity of a person in the labour process. At the same time, the definition of foreign researchers R. Ehrenberg and R. Smith that "Labour Economics" is the functioning of the labour market in the field of labour, deserves attention.

The object of "Labour Economics" study is labour, that is, expedient innovative human activity aimed at creating material commodities and providing services. In practice, the problems of labour are specialized. To achieve high results in labour, it is necessary to use not only economic criteria, but also such factors as the "digital economy". Categories such as the conditions of innovative labour, organization of labour, stimulation of labour have not only economic but also social content.

In the developed countries of the West, there are approaches inherent in positive economic theory in "Labour Economics" study.

Currently, in the time of innovation development, the directions of behavioral economics are being formed. American economist Richard Thaler was awarded the Nobel Prize for Economics in 2017 for the contribution to the theory of behavioral economics.

Richard Thaler established a link between the economic and psychological analysis of individual decisions. His empirical findings and theoretical ideas played an important role in creating a new and rapidly expanding field of behavioral economics, which had a profound impact on many areas of economic research and politics.

The Nobel Committee cites such an example from a study of R. Thaler: a taxi driver must weigh his working hours against his free time and family. The driver solves this by setting targets for his daily income, and fnishing for the day once he has reached this target.

Richard H. Thaler (born in 1945) was an American economist, honored professor of behavioral science and economics at the University of Chicago Booth School of Business, winner of 2017 Nobel Prize for Economics for his contribution to the field of behavioral economics.

The main work: Misbehaving: The Making of Behavioral Economics. – M.: Eksmo, 2017

However, such a rule entails that the driver finishes early when there are many customers and the hourly income is high, and has to work longer days when demand is low. With a diferent rule, he could earn more while working less and the city would have more taxis on days when many people need them.

Another field of experiments of R. Thaler is the idea of consumer justice and their impact on business. For example, unexpected rain can create an unexpectedly high demand for umbrellas, but if a shopkeeper then raises their price to match the high demand, many consumers react negatively and feel that the shopkeeper has behaved greedily. Companies that contravene fairness norms may be punished by consumer boycotts, which may get them to maintain their prices in cases where they would otherwise have raised them.

Studies of consumer behavior of people also underlie various marketing campaigns, for example, sales in stores.

Normative economic theory, a concept based on the effectiveness of mutually beneficial and voluntary (beneficial to all parties) agreements are also analyzed in labour economics. The difference between positive and normative theories was precisely shown by the father of the famous economist John Neville Keynes (1852–1949) in his work "Scope and Method of Political Economy". If a positive economic theory is a system of knowledge about what can happen, then normative economic theory is what should happen. In normative economic theory, what should happen is based on certain values, principles, and standards. For example, in the labour market, an agreement is considered acceptable in the following cases:

a) if both parties benefit;

b) if one party benefits, and the second loses nothing;

c) if one party receives a benefit, and the second a loss, but on condition that the first party compensates for the entire loss (i.e., from position "c", it moves to position "b".

The experience of studying "Labour Economics" in developed foreign countries can be shown on the example of Germany. Here, the discipline of the "Labour Economics" is divided into three parts:

– Arbeiswissenshaft – the study of labour;
– Personaliwirtschaft – economics of personnel;
– Personalmanagement – personnel management.

At the end of the 20th century, in the industrialized countries, the study of problems of the "Labour Economics" began with new positions of institutional economic theory. As a result, textbooks "Industrial Relations" or "Labour Relations" have appeared in these countries. Social labour relations, relations of the main subjects of these relations, hired workers and employers (or their representatives, trade unions and associations of entrepreneurs), as well as the institutional features of these relations are examined in them.

Students of higher education institutions of economic direction (bachelor and master degrees) to master the discipline of "Labour Economics" are required:

– to have an idea of the role and place of "Labour Economics" in the system of humanitarian, general professional and special economic disciplines, new socio-economic concepts of development in a "digital economy", main economic problems, ways of using innovative conclusions in practice and recommendations of this course;

– to know modern economic categories and laws, innovative concepts and approaches of well-known representatives of world economic thought to problems of labour and the essence of labour activity;

– mastering the methodology for planning and forecasting labour indicators of enterprises, firms and production units based on the "digital economy";

– to be able to draw up innovative training, retraining and personnel development programs, determine the effectiveness of modern methods of material and moral incentives, keep records of labour and know new forms of labour accounting, know the forms and methods of social partnership;

– application of acquired knowledge in making economic decisions, developing appropriate recommendations, using the "digital economy" to improve the activities of an enterprise in short and long term.

2.2. STAGES AND APPROACHES TO THE STUDY OF "LABOUR ECONOMICS"

In the developed countries of the West, the Modern labour economics study has witnessed approaches inherent in the theory of positive economics.

The process of studying labour economics will take place in two stages. We will spend most of our time studying the human nature and his impact on the labour market with the help of concepts of a positive economy. In some cases, we will use concepts of normative economics to determine the necessary policies.

As a separate scientific discipline, labour economics has existed for only about a century. In development of labour economics as a science, one can identify a number of stages (Table 2.1).

Thus, overseas labour economics is an independent section of economic theory that studies the functioning of a specific market, where labour is used as a commodity.

Accordingly, the subject of labour economics is the study of the functioning of the labour market. With regard to issues of labour management at the level of a separate organization (such as the organization of labour remuneration of employees of the enterprise, measurement and evaluation of productivity, analysis of labour indicators, organization and norming of labour), these aspects are revealed abroad within the framework of another science, human resources management.

Traditional and "introduced" areas of research were mechanically connected. At the same time, the management of human resources was considered as part of the labour economy, although this is quite a controversial issue. Nevertheless, one can state the desire to adapt the domestic labour economics to world research traditions.

A *positive* economy is the nature of economic entities, in which people show a positive reaction to profits and discounts, and a negative reaction to costs. From this point of view, a positive economy is formed through encouragement and punishment related to human nature. In economic theory, incentives are associated with money and are not related to money. In addition, punishments are considered as a result of an employee's missed opportunities, they are determined by costs.

In economic theory, one of the most common provisions is the lack of resources. Any resource used to satisfy one need can also be used to satisfy another need, which means that as a result of any solution, the corresponding costs appear.

Table 2.1

Stages of development of labour economics

Period	**Characteristic of the stage**
1	2
The first stage. Late 20th century – 1920s. 20th century.	During this period, labour economics developed in close connection with research in the field of social policy, labour law and social relations. It was then that the conceptual mechanism of this science was formed, separating the labour economics from economic theory. The first stage of development of labour economics, represented mainly by the work of foreign scientists, can be considered common to the Western and domestic models of labour economics.
The second stage. 1920–1960s of the 20th century.	Unlike the first stage, which united the scientists who entered the path of industrial development of countries, this stage proceeded in the developed countries of the West. In Western countries, the main object of the research became the labour market. In the second half of the 1920s of the 20th century, P. Douglas began quantitative research in the field of labour supply, demand for it and real wages. They were based on the approaches of representatives of classical economic schools (A. Smith and his followers) and neoclassical economic thought. This stage was not a simple continuation of the classical tradition. Specific studies allowed continuing the formation of the conceptual mechanism, which is characteristic only for economic and labour research. Social issues began to be considered through the prism of economic analysis, which greatly expanded the object of the study. Development of labour economics in this period was greatly influenced by the works of F. Taylor, who became the basis for development of labour norming.

	Development of labour economics went a completely different way than in Western countries, which is explained by other historical conditions. The theory of the labour process (not directly related to the functioning of the labour market) came to the fore. Methods of the study of the labour process were largely borrowed from other sciences. The result of the second stage of development of labour economics was the formation of a number of scientific disciplines related to the organization of labour at the enterprise level. The scientific organization of labour, labour norming is developing. A. Gastev, S. Strumilin and others made a huge contribution to development of labour economics.
The third stage. 1960–1970s of the 20th century.	The third stage of development of labour economics in the West was marked by labour market research using mathematical analysis. Labour economics develops as a theoretical discipline, an integral part of neoclassical economic theory. A partial convergence of domestic and foreign approaches associated with a change in fundamentals of labour activities management, increased labour mobility, strengthened globalization of the economy, increased competition, and a number of other problems emerged. At the same time, it is necessary to state the preservation of the ideological "pressure" on development of labour economics in the CIS countries, which led to the need for using the "Aesopian language" to describe a number of processes. Thus, labour market research could be called the study of social and professional mobility (or turnover) of labour power. However, the lack of free exchange of ideas with Western scientists, the lack of mobility of the scientists themselves led to serious discrepancies in research methods.
The fourth stage. Since the 1970s of the 20th century until now	The fourth stage in development of labour economics abroad presents this science as a modern economic theory of labour. It considers both macroeconomic and microeconomic aspects of functioning and regulation of the labour market, explores the practical issues of applying conclusions from theoretical positions both at the level of intra-firm labour policy and at the level of government policy aimed at regulating the labour market. Legitimacy of labour market functioning is studied: the formation of labour demand and labour supply, labour costs and their impact on demand, compensatory differences in wages, investment in human capital, labour mobility, wage and productivity, the phenomenon of discrimination in the labour market, the role of trade unions, unemployment, relationship of inflation, unemployment and labour productivity. The fourth stage of development of labour economics in Uzbekistan continues to this day, and it is certainly early to sum up its results. In the domestic labour economics, the foreign theory of labour is absorbed, and foreign approaches are incorporated into the structure of domestic science.

The second of the most common provisions are thrift people. They have exact goals, and they always strive to do everything necessary to achieve these goals. Moreover, usefulness in labour economics is determined by factors related or not related to price.

People should always strive for overall economic benefits, and as these benefits change, they tend to adapt more quickly to new conditions. These two properties of human nature allow predicting how people and enterprises will behave with different options for stimulating labour.

Forecasting the nature of economic agents in an economy to a certain extent relies on two fundamental directions – scarcity and thrift. Employees always come up against the choice between finding a new job, moving, getting an additional education. Moreover, employers must always make important decisions on increasing production by harmonizing the use of machinery and workers. Both employees and employers make decisions based on their interests.

The actual functioning of the labour market is very difficult. Here numerous employees and employers enter into labour relations, each of them has own goals and actions.

If there is a shortage of labour resources, workers, under equal working conditions, will prefer to work with a higher wage. As a result, they leave low-paid jobs. This means that the employer must take necessary measures for increasing the salaries of its employees.

With a high turnover, it is difficult for employers to constantly raise wages. Despite this, if they, by setting a decent salary to employees, can reduce staff turnover, this will undoubtedly bring economic benefit to the enterprise.

From the above we can draw the following conclusions:

1. Employees and employers act based on a shortage or excess of labour resources, looking for acceptable proposals for improving their situation. Therefore, *employees are constantly informed about changes and prices* in the labour market.

2. We reviewed the effect of wages on employee turnover. However, other factors also affect the shift of the workplace by human resources. Despite this, with the invariance of other factors, high wages reduce personnel turnover.

3. Our predictions are not that when wages increase, workers will not leave jobs, but about reducing turnover through decent wages. This can be tested in practice. Our analysis showed that with an increase in wages by 10%, the turnover rate decreases by 1%.

Normative or regulatory *economics* is a set of systemic knowledge relating to what must be in order to be correct, and therefore having an ideal object (existing in the imagination of people) different from the real one. Normative economics is trying to answer questions, how good or fair, whether a decision is permissible or unacceptable, touches problems of an estimated nature.

Transition from the raw materials export to the innovation model of economics is associated with formation of a new mechanism based on the balance of entrepreneurial freedom, social justice and competitiveness. Development of the labour market based on development of competition becomes a strategic factor in development of the sphere of labour relations, which is aimed at increasing the efficiency of formation and use of labour resources.

The labour market is a dynamic system in which employers (owners of production assets, entrepreneurs) interact, on the one hand, and employees on the other. Implementation of the market principles of free enterprise in the labour market means that a particular person can choose for himself the role of a subject in the labour market and become either an employee or an employer, as well as move between these groups in the process of labour life.

The direct subject of functioning of the labour resources market is transactions (from lat. *transactio* – agreement, contract) for the sale and purchase of ability to work between employers who have certain requirements to the professional competence of a candidate for a particular position, offering certain working conditions and wage rates, fees, benefits and compensation, as well as employees, offering their own vision of these terms of transaction. The result of bargaining is an employment contract, reflecting the legal relations of the parties in terms of the sale and purchase of labour power.

There are two transactions in normative economics. In the first of these, all parties in an economy can benefit. At the same time, the role of the labour market is also to carry out transactions that benefit both parties.

Moreover, in the second transaction, one or more parties lose. Such transactions occur in distribution of income, i.e., one is enriched at the expense of losses of others. This may occur when conducting charitable, sponsorship operations, or in case when the distribution of income is carried out by the state through tax or budget policy.

The main task of the labour market is, as noted above, the implementation of transactions that benefit all parties. Despite the fact that the labour market does not always cope with this task, many oppose government intervention in the labour market.

The labour market crisis is mainly due to external factors. This can happen during a transaction when the agreements meet the interests of employees and employers, but contradict the interests of the third parties not participating in these contracts.

Child labour is a prime example of external labour market factors. Child labour is attracting children to work on a regular basis. At present, in most countries child labour is considered a form of exploitation and is recognized as illegal. In the past, child labour was widespread, but after the emergence and recognition of concepts of occupational safety and children's rights, the field of application of child labour gradually began to decline.

The UN and the International Labour Organization consider child labour as exploitation. Article 32 of the Convention on the Rights of the Child states: "States Parties recognize the right of the child to be protected from economic exploitation and from performing any work that is likely to be hazardous or to interfere with the child's education, or to be harmful to the child's health or physical, mental, spiritual, moral or social development..."

Transactions that are beneficial to society, but not realized, are regulated by the state. Moreover, if the main problem is the lack of information, appropriate measures are taken by the state to eliminate it. In addition, other measures of the state can be: support of market mechanisms of transactions or restriction of some non-compliant agreements.

Normative economics considers efficiency to be a priority. In order for the transaction to be beneficial to both parties to the transaction, the parties must be satisfied with the agreement. In case of equality, on the one hand, the lost profit is compared, on the other hand, the resulting profit.

Based on the analysis carried out, we can assume the most logical trajectory of development of labour economics as a science and direction of higher professional education:

Labour economics as a study in the future will become an organic part of economic theory, considering problems of functioning of a specific market (labour market). It is in this context that labour economics develops abroad.

The "labour economics" profile will still be realized for some time in universities of those regions, where the production sphere is well developed and there are many large enterprises in which the departments of labour and wages function. In most universities, labour economist competencies will be formed during the training of bachelors and masters in personnel management in the same way as training in Human Resources Management abroad.

It is necessary to recognize that this development of events is nevertheless logical, since the integration of Uzbekistan into the world scientific and educational community is necessary and, hopefully, will be useful for science and practice.

2.3. Labour functions and types

Labour, taking into account its various properties, performs a number of important functions. Summarizing them, the functions of labour can be grouped as:

– the process of producing material and spiritual commodities, provision of services;

– the material conditions of society and innovation development;

– conditions for human improvement, according to the new requirements of the time;

– labour activity as formation of a modern worker.

Labour is an integral part of production, it participates in its creation and activity, therefore it is included in the composition of production resources as an integral element.

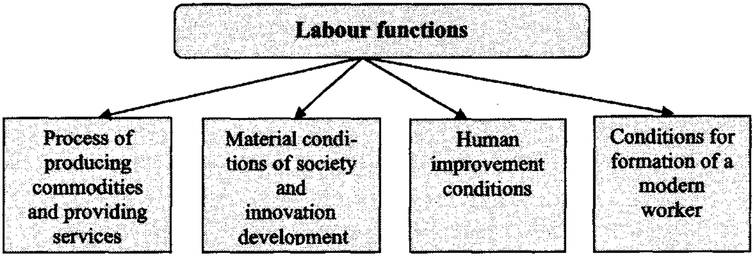

Fig. 2.1. Labour functions

Production resources are a complex of various elements of production used in creation of material and spiritual benefits, provision of services on an innovative basis. They include: (fig. 2.2):

– natural resources – the sun, bioenergy, wind energy, the earth, its depths, minerals, water resources, etc.;

– material resources – means of production created by man, including the means of labour and objects of labour;

– labour resources – labour power or able-bodied population.

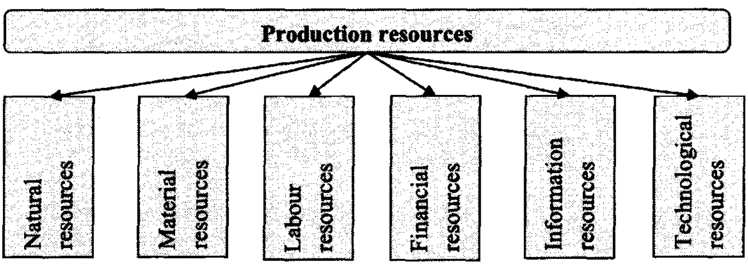

Fig. 2.2. Production resources

The age, gender, qualification, level of education, motivation for labour activity of labour resources are important;

– financial resources – cash directed to production. Their sources are investments, securities, taxes, cash savings, public debt;

– information resources – science, information, software, etc.;

– technological resources – nano-, biotechnologies and other modern technologies.

Production (economic) resources are limited, they are not sufficient to fully meet the needs of society development. Labour is also the source of development of the person himself, who for the implementation of labour activity increases his knowledge and skills. Labour also participates in formation of personality, contributes to human socialization and self-realization. The American psychologist Donald Super revolutionized the field of professional psychology with his theory of career development. Among his many innovative ideas was that a person's professional self-concept should be considered as a development process that occurs throughout life. Thus, he described the stages in formation of career development of an individual (Fig. 2.3).

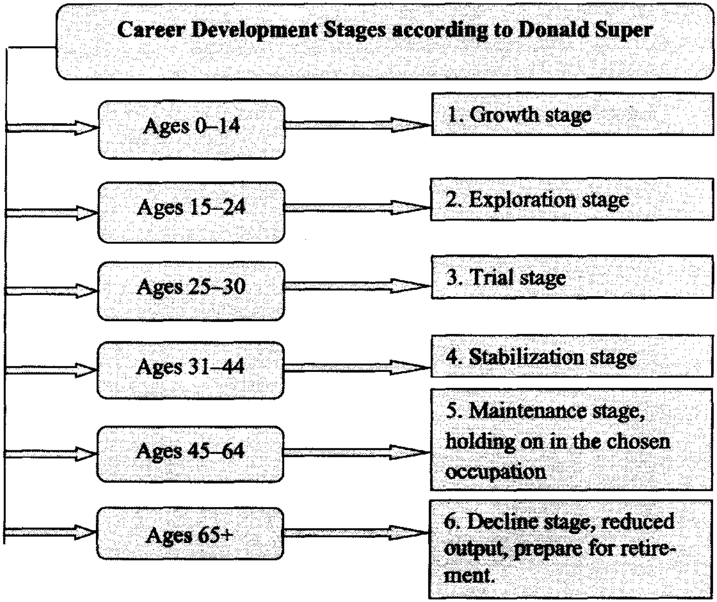

Fig. 2.3. Career Development Stages according to Donald Super

1. Growth Stage (birth to age 14), when development of the main interests and abilities occurs. Wherein, behavior relevant to career development appears to be motivated primarily by fantasy in role playing (ages 4 to 10), then behavior relevant to career development appears to be motivated primarily by the individual's likes and dislikes (ages 11 to 12), and later involves consideration of the individual's abilities and job requirements (ages 13 to 14).

2. Tentative choice and skill development, exploration stage, (ages 15 to 24). At tentative substage, the individual begins to translate self-preference concept into general occupational terms. Possible appropriate fields and levels of work are identified (ages 15 to 17). Transition substage (ages 18 to 21) is made from school to work preference or from school to further education and/or training. Generalized choices are converted into a specific choice. This stage ends with implementing an occupational preference, often combined with studies (ages 22 to 24). Western systems of training are more focused on practice, so the opportunity for young people to try their hand at real work activities, combined with studies, is much greater.

3. Trial stage (ages 25 to 30). Here the individual settles down, supports self and contributes to family support, develops an appropriate lifestyle, makes use of abilities and training, and pursues meaningful interests. As is known, it is competition in the pursuit of life success (career) is the most important purpose of existence in a civilized society. Therefore, a young specialist, above all, masters exactly this "science". In this case, it is assumed that the desire for success is the most important stimulus for both high-performance labour and personal development.

4. Stabilization stage (ages 31 to 44), consolidation and advancement in the chosen occupation. In this stage individuals are commonly concerned with their place in an occupation or in an organization.

5. Maintenance stage (ages 45 to 64), holding on in the chosen occupation. Having obtained a secure and recognized position, the individual is expected to maintain it in the face of competition from others, technological change, health problems, and family demands.

6. Decline stage (age 65 on), selective reduction in pace and/or load of work.

There are various types of labour, all their diversity is classified according to the following criteria: according to the content of labour, according to the nature of labour, according to the results of labour, according to the methods of attracting people to labour.

Depending on the content of labour, the following types of labour are distinguished: (Fig. 2.4)

1) mental and physical labour;

2) simple and complicated labour. Simple labour is the labour of an employee who does not have professional training and qualifications. Complicated labour is the labour of a skilled worker with a particular profession;

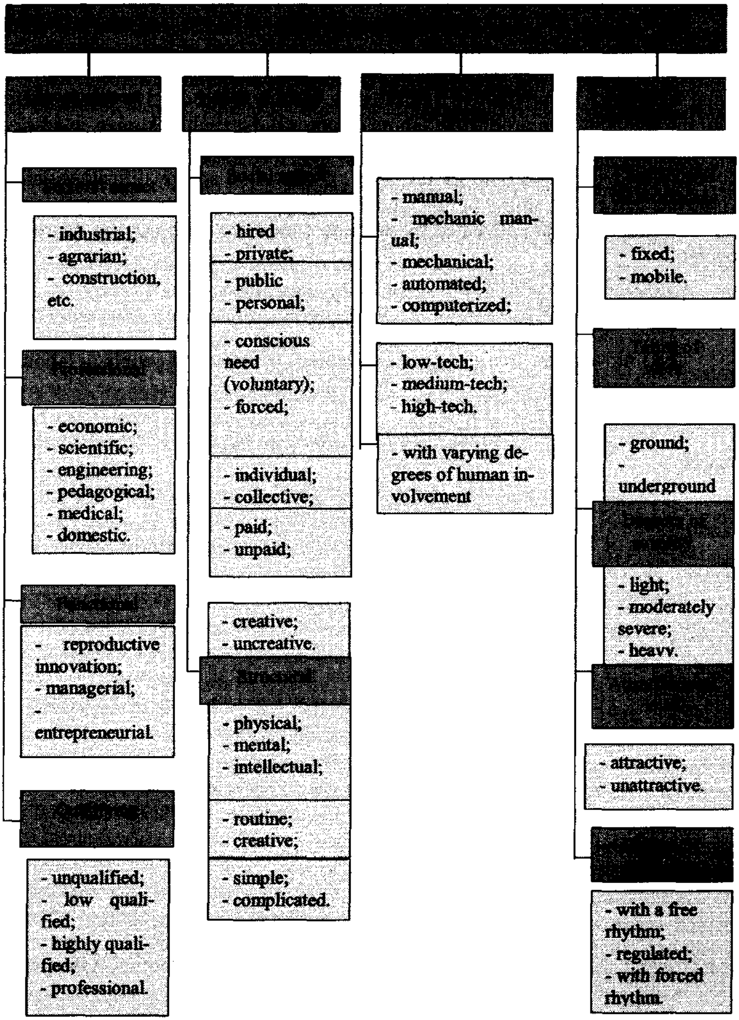

Fig. 2.4. Classification of traditional labour

3) functional and professional labour. Functional labour is characterized by a specific set of labour functions specific to a particular type of labour activity. Professional labour is a concretization of functional labour, forming a broad professional structure;4) reproductive and creative labour. Reproductive labour differs from the standard of reproducible labour functions, its result is known in advance and does not contain anything new. Creative labour is not peculiar to every employee, it is determined both by the level of education and qualifications of the employee, and by the ability of this type of activity.

The following are allocated by working conditions with varying degrees of regulation:

1) fixed and mobile labour;

2) light, moderately severe and heavy labour;

3) free and regulated labour.

The following are distinguished by methods of attracting people to labour:

1) labour under non-economic coercion, when a person joins the labour process under direct coercion (slavery);

2) labour under economic coercion, namely, to earn necessary means of livelihood;

3) voluntary, free labour is the human need in implementation of the own labour potential for the benefit of society, regardless of wages.

Means of labour also predetermine the division of labour into various types: manual, mechanized, automated, machine labour.

Innovative development of the economy, new technologies reduce in production process, associated with heavy physical labour. Despite this, workers still consider monotonous, boring labour activity only as a necessity for satisfying their needs and their family members. At the same time, not all employees consider labour activity only as a source of income. A person has a strong need for demonstration of his knowledge, experience, skill and other abilities.

2.4. TASKS OF "LABOUR ECONOMICS" STUDY IN CONDITIONS OF INNOVATIVE DEVELOPMENT

The problem of changing views on the subject of labour economics at the present stage is due to objective reasons. This is, first of all, a relatively isolated development of this science within the framework of two different systems – a planned economy and a market economy. In addition, the ideology of both society as a whole and science had an impact on the specifics of labour economics. Attempts to bring these areas closer are planned, but not completed at this stage. The complex process of rethinking the subject of labour economics in Uzbekistan and other CIS countries may be outwardly not very noticeable, but the significance of this process is extremely great both for development of theoretical studies and for improving the applied aspects of labour management in an innovative economy.

Innovative economy (knowledge economy, intellectual economy) is a type of economy based on the stream of innovations, on constant technological improvement, in production and export of high-tech products with very high added value and the technologies themselves. It is assumed that in this case the main profit is created by the intelligence of strategists, innovators and scientists, the information sphere, and not material production (industrial economy) and not the concentration of finance (capital).

As the President of the Republic of Uzbekistan noted, "in each production sphere there should be own branch research institutions, design bureaus, experimental production and innovation centers. We need to achieve attraction of investments in our country not only in the economy, but also in science, the sphere of "know-how"[1].

Labour economics is a science that studies the socio-economic aspect of labour. Relations in the labour sphere affect the whole system of social relations: the nature and depth of social inequality, the level of employment and unemployment, productivity and efficiency of labour, as well as the level and quality of life of the population. Unfavorable situation in social and labour sphere can cause social tensions, political instability, which affects the competitiveness of the country as a whole. Therefore, all CIS countries with a market economy are implementing state policy in the sphere of labour, which may differ significantly (for example, be more or less liberal), but always exists. Labour economics as a study is intended to provide an economic justification for state policy in social and labour sphere, which determines the stability of society and the state. These provisions determine the importance of development of labour economics as a scientific discipline in conditions of innovative development.

Understanding the subject of labour economics is closely related to the interpretation of the concept of "labour" itself. Labour is an extremely complex phenomenon, which can be considered from various aspects and, accordingly, is studied by various sciences. The methodological basis of labour economics, like other economic sciences, is economic theory. From the point of view of modern economic theory, labour is one of the main factors of production or the economic resources of society (like capital, land, entrepreneurial ability). Accordingly, each

[1] See: Mirziyoyev Sh. M. Address of the President of the Republic of Uzbekistan to the Oliy Majlis. 28.12.2018. – URL: https://president.uz/ru/lists/view/2228--33333

type of resource brings its owner a certain type of income: land – rent, capital – profit, labour – wages. Such an approach, in contrast to the previous theories, corresponds to a more mature level of innovative development, characterized by a high level of social protection of employees.

Understanding labour as a process, as a type of human activity is the most common approach to understanding labour in labour economics of Uzbekistan. In developed countries of the world, economists, considering labour as a resource, as a factor of production, explore the market of this factor of production – the labour market – and the legitimacy of its development.

As a result of the process of innovation development, a single global market economy, geoeconomics, is being formed and developed. And in the study of "Labour Economics" there are similar qualitative changes.

At present, interest in the individual as an object of research in this science has sharply increased. Labour activity increasingly acquires intellectual properties, i.e., the scientific components of the labour process increase. All this requires a fundamental revision of approaches to the study of labour.

25-30 years ago, an employee was assessed according to the formula "experience + knowledge", while experience was put in the first place. An employee with extensive experience was rated highly, his wages was also paid according to this criterion. Such an approach was particularly clearly observed in Japan.

Today, knowledge of a worker comes out on top. Technical and technological changes in production, progress in the field of economics require the employee to constantly update their knowledge for the effective performance of labour functions. At the same time, the criterion "thinking" is added to the knowledge of the worker. And "thinking" is used in the sense of the ability to use knowledge with the mind, which in practice leads to efficiency. Therefore, development of thinking has become the main criterion for professional training.

So, the goal of the study of "Labour Economics" is to explore the increase and effective use of labour potential of each employee and society as a whole in conditions of an innovative market economy, relying on scientific, practical, theoretical and methodological foundations.

Current tasks of science in modern conditions of innovative development are also based on the aforementioned goals. They consist of the following:

1. Definition of the essence and mechanisms of the economic process in the labour sphere in the period of innovative development. This requires the study of the methodological provisions of economic theory relating to the role of labour in human life and society, taking into account the digitization of social and labour relations.

2. Clarification of the relationship of social and labour relations with innovation and economic relations in a socially-oriented economy. New deep research

into the relationship between the labour market and the capital and raw materials markets is also required.

3. The study of issues of the cost of labour resources under current conditions, as well as formation of labour costs at all stages of their reproduction.

4. Constant acceleration of the international distribution of labour has increased the need for a scientific study of innovative methods, external mobility of labour resources. Therefore, issues of further improving the regulation of external labour migration, the impact of this process on the labour economy, the social protection of migrant workers will be in the center of attention of the modern "Labour Economics".

5. Based on the specific economic situation of various economic entities, based on conducting analysis of the situation of labour resources, introduction of new experience on their improvement. This will increase the relationship of science with practice.

Radical changes in the economy, social and labour relations also require in the study of "Labour Economics" the introduction of new digital methodological approaches and research methods.

Methodology, as a set of methods used in the study of the labour market and its constituent elements, is aimed at helping to combine theory and practice, as well as is a necessary link, performing the task of implementing personnel policy of the state through legislation in the sphere of economic and social development (Fig. 2.5).

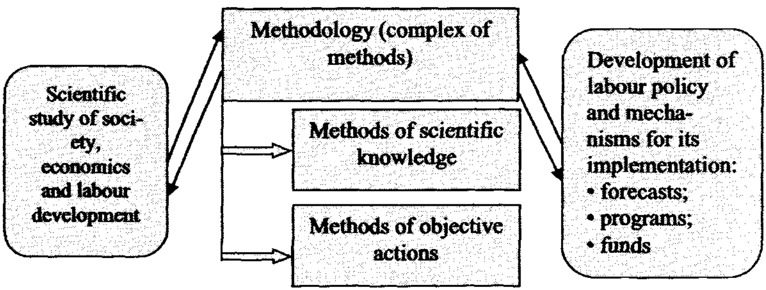

Fig. 2.5. The role of methodology in the study of labour and its regulation

The methodology, summarizing the methods applied in "Labour Economics", is based on labour legislative acts of Uzbekistan: The Labour Code and on more than 400 normative and legal documents related to labour and labour activities. These legislative acts set out the legal basis for regulating labour activity and its implementation, labour remuneration, labour resources mobility, labour migration, labour safety, social protection of workers and other issues. The methodology also relies on the scientific position and conclusions of labour economics and related sciences. Using the methods of "digital economy", it explores the problems of increasing the efficiency of the national economy and the potential of a society based on innovations, improving social and labour relations, ensuring the wellbeing of the population and presents concepts for solving these problems.

CHAPTER III.

LABOUR MARKET: ESSENCE, FORMATION AND DEVELOPMENT

3.1. BRIEF DESCRIPTION OF THE LABOUR MARKET

The labour market is an integral part of a market economy structure. This is the most important resource market.

In the most general terms, the labour market is a system of public relations related to hiring and supply of labour power, or its purchase and sale. The cost of labour power is wages.

In the labour market, one side (sellers) is represented by job seekers, the other (buyers) – by employers: entrepreneurs or their representatives.

The labour market is realized through state and commercial employment services (labour exchanges), as well as directly through the personnel services of enterprises and institutions or directly between the employee and the employer.

The functional and organizational structure of the labour market includes the following elements in conditions of a developed market economy: the principles of the state policy in the field of employment and unemployment; personnel training system; hiring system; contract system; unemployment support fund; retraining and re-qualification system; legal regulation of employment.

The labour market is subject to the law of supply and demand for labour, which affects wages. This law reflects the discrepancy between vacant jobs and composition of workers entering the labour market in terms of quantitative and qualitative parameters.

There is a brutal, merciless selection of the most capable, enterprising in the labour market. Weak and incapable market does not spare. But at the same time, it stimulates highly qualified labour, contributes to creation of a rigid relationship between the contribution of each and the specific result obtained.

The following opportunities are realized on the labour market:

– free choice of profession, industry and place of activity, encouraged by priority offers (level of remuneration, possibility of realization of creative ideas, etc.);

– recruitment and dismissal in compliance with labour laws that protect the interests of citizens in terms of guarantees of employment, working conditions, and payment;

– independent and at the same time economically encouraged migration of labour resources between regions, industries and professional qualification groups, which usually accompanies the improvement of living and working conditions, which is facilitated by the presence of highly developed, accessible high-quality housing markets, consumer commodities of cultural and spiritual values;

– free movement of wages and other incomes while maintaining the priority of qualifications and education, compliance with the statutory guaranteed minimum wage, providing a living wage, and regulating the upper limit of income through a tax system based on a progressive scale.

The labour market is functionally related to the commodity market, capital markets, information, educational services, housing, etc. (Fig. 3.1). But especially the conjuncture of the commodity market significantly affects the state of the labour market, where total demand and total supply are formed. In conditions of low economic activity of the commodity market entities, the state of the labour market is also deteriorating, unemployment is growing. And vice versa, not only economic, but also social problems arise in the labour market – social tension in society, social movements, etc., which market mechanisms cannot solve on their own. To solve such problems, it is necessary to create an appropriate system of state mechanisms of influencing the labour market: the development of labour legislation, employment assistance programs, assistance to the unemployed.

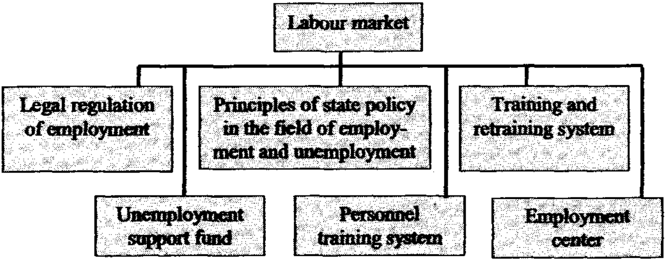

Fig. 3.1. Functional and organizational structure of the labour market

Labour market entities, employers and employees, differ significantly in their attitude to the means of production. Employers are the owners of the means of production, and employees have the ability to work. Therefore, various factors influence the demand for labour power, which is formed by employers, and the supply of labour, which is formed by hired employees.

Thus, the demand for labour power depends on the level of productivity of labour, the technical equipment of production, the level of economic activity – the cycle phase. The proposal is determined by the level of wages, education and qualifications, working conditions, trade union protection, religion, tax system, population migration. The ratio between demand and supply of labour in the labour market determines the level of employment and is manifested in the market price of labour, wages. Since the labour power is a specific product, its price, wages, has certain specific features. Salary is the main source of household monetary incomes, and taking into account the prices of consumer commodities and services, it mainly determines the standard of living of the population. To support labour motivation, it is necessary to adhere to objective regularity: wage growth rates should not exceed labour productivity growth rates.

The labour market is isolated in a broad and narrow sense. In a broad sense, it is a system of socio-economic relations that ensure the effective use of labour power and its reproduction. In the narrow sense, the labour market is considered as a system of relations between this market's entities – employers who determine the proposed quantity, quality of jobs, working conditions, and hired workers who apply for workplace, accept and influence working conditions. Relations in the labour market are regulated by the state.

The labour power is a special kind of product, the productive and creative qualities of which completely determine the efficiency of a competitive economy, its ability to create high-quality commodities and comfortable services, the scale and pace of scientific, technical and organizational changes. Therefore, the preparation and release on the labour market of an educated and creatively active labour power, ensuring its qualification and territorial mobility is one of the fundamental principles of the activity of the national economy. And the higher the general level of economic development, the more complex tasks it has to solve, the greater the need for highly qualified labour. In the developed countries of the world in the era of the scientific and technological revolution, an absolute majority of employers and state bodies strive to create the best production and living conditions, guaranteeing, however, opportunities, and social security in the labour market.

Labour power is a special kind of product also because, first of all, it is itself, as a rule, the most interested party in development of its creative capabilities, implemented in the national economy and expressing individual, especially creative, abilities of the individual.

The prevailing commonality of interests of the "commodity" of labour power and its consumers, the economy and the state, is the most important socio-economic feature of a market economy, creating a solid humanistic basis for development of the country's economy and society as a whole.

The ultimate goal of the labour market is, firstly, satisfaction of career, labour and vital interests of the economically active population, including social protection, and providing the country's economy with necessary personnel; secondly, the achievement of maximum full employment, taking into account the need for a partial work week, a moving schedule of the working day, etc.

Labour markets are distinguished in micro- and macroeconomics. In the microeconomics, the labour market is the sphere of formation of supply and demand for labour resources. The labour market carries out their selection and for a specific term, and for an indefinite period. And in macroeconomics, the labour market is the leading component of the classical concept of employment, which is based on the following principles:

- perfect competition in the labour market;
- interchangeability of production factors;
- salary rating;
- rational behavior of economic entities;
- orientation of an entity to real wages.

It is well known that in every market there are sellers and buyers. In the labour market, sellers are labour resources, and buyers are employers. Some participants in this process may not take an active part in the labour market, but hiring workers in them happens all the time. If the supply of labour resources and their employment is carried out on a national scale, then this is a *national labour market*, and if such process is carried out within a small specific territory of the state, then they are *local labour markets*.

Analyzed labour markets have a complex system due to multiplicity of the spheres of economy, geography, transaction provisions, types of labour activity, etc. For simplicity, let us imagine all of them as a single labour market.

If certain provisions are defined for employment relations in the company, then we can speak about formation of the internal labour market.

In any labour market, depending on its type, the category and number of employees are constantly changing. At the same time, the number of workers moving from one category to another is very small. There can be four categories of workers in the labour market:

1. Employed workers leave jobs or are dismissed by the employer and become unemployed (that is, forcedly, temporarily or completely forfeited from work).
2. The unemployed are re-employed and become employed.
3. Employees employed and those who are part of labour resources on the occasion of retirement or due to unwillingness to work may leave the category of employed.
4. Previously unemployed workers can enter the labour market.

The proportion of unemployed in the total labour resources determines the *level of unemployment of the population.* Although there are some inaccuracies in this definition, this method for analyzing the labour market is a universal indicator. If the unemployment rate is 7% or more, this indicates a free labour market. In such a labour market, it is more difficult for employees to find job, and for employers it is easier to dismiss and hire new workers. But a free labour market does not mean that it is difficult to find job in all areas. In some cases, despite the high level of unemployment, in some types of activities, the demand for labour, unlike in proposals, may be higher.

Over the past half century, demand for certain types of work has increased, and for some it has decreased. But workers and employers must adapt to these changes in the labour market.

In economics, the labour market is understood as a system of socio-economic and legal relations, norms and institutions in society, designed to ensure the continuity of reproduction of labour resources and the effective use of labour.

We interpret this in a broader sense: "The labour market is a system of social relations between an employee and an employer at all stages of reproduction of labour resources: formation (socio-demographic property, the emergence of a new labour power), exchange (sale-purchase), distribution (social, professional and territorial) and use in the labour sphere".

The peculiarity of the labour market is that it sells not the labour itself, but the labour service. And the quantity and quality of labour services is associated with many factors: professional training, qualifications, employee experience, etc. At the same time, the following should be taken into account in the labour market:

- long-term property of mutual relations of the seller and buyer;
- a big role of non-monetary factors (prestige, complexity of labour activity, safety for health of working conditions and others);
- many institutional structures (labour legislation, state employment policy, trade unions, public associations of employers and others).

Therefore, the theoretical foundations of formation and development of market relations in the field of labour are comprehensively studied. Usually, the scientific views of classics, neoclassics, Keynesians, institutionalists, and monetarists on the labour market are distinguished (Table 3.1).

Currently, the labour market is being investigated from the perspective of a post-industrial (information) society. Daniel Bell, founder of the post-industrial (information) society, noted its following peculiar differences:

- creation of the economy of services;
- superiority in the labour market of specialists in scientific and technical sphere;

– the central role of theoretical and scientific knowledge as a source of innovation and decision-making in society;

– creation of a new "intellectual technology" and others.

Bell is considered the recognized theorist of neoliberalism. Proposed logic: Pre-industrial → Industrial → Post-industrial society. The post-industrial society is characterized by the principle of knowledge (and not property); presence of intelligent technology; transition from the production of commodities to the provision of services; increase in the number of carriers of knowledge. If in the industrial society the main figures were an entrepreneur, a businessman, and a manager of an industrial enterprise, today, "new people" are scientists, mathematicians, economists, and other representatives of intellectual technologies.

Table 3.1

Theoretical foundations of the labour market

Directions of the economic theory	**Period**	**Scientific views on the labour market**
Classics (A. Smith, D. Ricardo and others)	The second half of the 18^{th} century – the beginning of the 19^{th} century.	The labour market is a self-regulating system, therefore it provides full employment.
		Competition in the labour market excludes involuntary unemployment
		Every person who wants to work, easily finds work that is paid at the price established by the labour market.
Neoclassics (A. Marshall, A. Pigou, C.A. Pissarides and others.	Late 19^{th} century – the beginning of the 20^{th} century.	The labour market, like other markets, operates on the basis of price matching. The main regulator on the labour market is the price of labour resources, or payment for labour
		Supply and demand regulation is crucial in providing employment.
		The reason for unemployment is the high price of labour power
Keynesians (J.M. Keynes, R. Gordon and others)	The second half of the 20^{th} century.	The labour market is not able to solve the problem of employment, full employment is not a legitimacy, but an accident
		The demand for labour resources in the labour market is regulated not by changes in market prices for labour, but by general demand, i.e. production volume
Institutionalists (T. Veblen, J. K. Galbraith and others.)	20^{th} century	Employment, wage policy is determined not by a spontaneous market and free competition, but by social institutions (state, society, public organizations, large corporations)

		The demand and supply of labour resources in the labour market regulate the professions, skills of workers, industry differences in the composition of the labour power.
Monetarists (M. Friedman and others.)	The second half of the 20th century.	The demand for money is the main means of the economic progress of society, including the development of the labour market
		Economic management, including the labour market, depends on the ability of the state to control the circulation of money in society

Bell represents the future society of three social classes: "the creative elite of scientists and the highest professional administration"; "middle class" engineers, scientists and, finally, the "intellectual labour proletariat" are technicians, assistants, junior employees, labouratory assistants.

Daniel Bell (1919–2011) was an American sociologist, founder of the post-industrial (information) society.
Works:
The End of Ideology: On the Exhaustion of Political Ideas in the Fifties. – N.Y.: Free Press, 1965;
The coming of post-industrial society: A venture of social forecasting. – N.Y.: Basic Books, 1973;
The cultural contradictions of capitalism. – N.Y.: Basic Books, 1976

In a post-industrial society, scientific and technical progress combines science with production and radically changes the demand for labour resources in the labour market. If earlier, at the previous stages of economic development, labour resources were looked at as an element of a conveyor, an appendage to machines, then in a post-industrial society they are considered as a decisive factor of production. Such an employee in the labour market will be extremely competitive due to his intelligence and creative potential.

Modern production fundamentally changes the labour market and defines a completely new role of the worker. If previously the labour market was satisfied with knowledge and skills in accordance with their profession and qualifications, this is not enough for the modern economy. An innovative economy requires from an employee to constantly improve his knowledge and qualifications, creativity, and ability to solve complex production problems in a new way.

A new theory of modern labour market was forwarded by two American scientists Peter Diamond and Dale Mortensen, as well as the head of the Department of Economics at the London School of Economics and Political Science Christopher Pissarides – Nobel Prize Winner for Economics in 2010. If Peter Diamond and Dale Mortensen came to the conclusion that sometimes unemployment arises with the workplace available, Christopher Pissarides founded his revolutionary idea, the more actively the unemployed seek for work, the more jobs will be created.

In the classical theory of market relations, sellers and buyers find each other immediately, without any effort or expenditure of money. The price in such a theory varies depending on the ratio of supply and demand. Christopher Pissarides explains that in reality not everything is quite so, otherwise there would hardly be so many vacancies on the labour market. In fact, in the job search market, external factors play an important role, which are not taken into account by those who carry out the search. A simple example: if one unemployed person dramatically increases activity in the market and begins to look for a new job, then his chances of finding a good place increase and for all others decrease. However, other job seekers know nothing about the activity of the first.

Christopher Pissarides (born in Cyprus in 1948) was a member of the British Academy, winner of the 2010 Nobel Prize for Economics "for analysis of markets with search frictions".
Works:
Short-Run Equilibrium Dynamics of Unemployment Vacancies, and Real Wages») American Economic Review, 1985, № 75 (4);
Equilibrium Unemployment Theory. Cambridge, MA: MIT Press, 2000.

The Nobel Prize winners, with the help of their model, theoretically substantiated the origin of the Beveridge curve. This curve shows that the labour market at different times tends to two starting points: high unemployment and a small number of vacancies on the one hand, low unemployment and a large number of vacancies on the other. C. Pissarides showed that sometimes there are situations when unemployment and the number of vacancies can increase. In this case, the answer to the question of why this is happening should be sought not in the traditional business cycle, but in the labour market itself. For example, one of the possible reasons for such a paradox would be that, approval of a particular candidate for some reason began to take more time.

Along with various foreign theories on the labour market, research by economists from the CIS countries and Uzbekistan is also of great methodological importance. They analyze various approaches to the regulation of the labour market through employment policies, justify the concepts of the "sphere of employment" and "labour market".

The transition from a command-administrative system to a mixed economy led to drastic changes in all social and labour relations. There are significant changes in employment. The status of the economically active population (employers, employees, self-employed, helping family business, the unemployed, and others) is changing, new structures for employing workers are being formed. Thus, contractual and temporary contracts appeared when hiring workers. Emerging new labour relations are reflected in collective agreements, sectoral tariff and general agreements. In this regard, in countries that form a market economy, including in Uzbekistan, the views on social and labour relations, theory and practice of labour economics are fundamentally revised.

Until recently, the theory of employment was based on the opinion that labour power is not a commodity. Such views, the underdevelopment of market relations in the sphere of labour are explained by the fact that in the command-administrative system, only one, the state form of ownership existed and dominated.

Moreover, in transition to a market economy, the recognition of the commodity form of labour, unemployment as a natural manifestation of a market economy is considered the main task. This is of particular importance for countries that are transitioning to a market economy.

Some scientists of the CIS countries in employment policy compare "labour" with "employment". V.N. Bobkov, E. Sarukhanov, A. Asaliyev and A. I. Rofe consider employment to be a person's activity from the moment of the start of labour activity, but it would be correct to call the labour market employment, regulation of the labour market, regulation of employment and unemployment problems. They also consider relations on workplace occupation as employment relationship. From the moment the employee starts working, the activities of these relations stop, the next stage of work begins, and this is not connected with employment and labour.

In the views opposite to these points of view, attitudes to labour market concepts, employment and its regulation differ. Supporters of these approaches, labour reproduction and the labour market are considered to be integral parts of employment. For example, Yu. G. Odegov, G. G. Rudenko, M. I. Kulapov, S. A. Kartashov recognize the labour market as a system of market relations in reproduction of people's productive abilities. The labour market represents the employer the ability to create wealth, attracting labour. And an employee receives wages and reproduces his ability to work at the expense of selling his labour power.

A group of scientists from the CIS countries on the issue of employment have the following point of view:

- production (labour is a means of reuniting an employee with production facilities for organizing production);
- consumption (employee's labour is financially stimulated);
- distribution of labour (the employee is assigned to a certain sphere of labour activity).

The profound transformations that are being carried out in Uzbekistan serve as an impetus for a new understanding of employment problems. For example, if earlier it, first of all, covered the sphere of socio-economic relations connected with production, then in today's conditions with the emergence, formation and development of the labour market, the boundaries of this concept are expanding. In connection with the openness of the country's economy and its entry into the international arena, it has become necessary to compare the state of employment with international criteria, taking into account these indicators from world practice.

According to Uzbek scientists L.P. Maksakova, D.A. Artykova, Z.Ya. Khudayberdiyeva, K.Z. Khamitova, employment cannot be separated from labour activity, as in this case it loses its meaning. In our opinion, thanks to the labour market for an employee, it is possible to take up a job for conducting labour activity, and for the employer to produce necessary commodities for generating income. One of the areas of labour market regulation is creation of such conditions.

According to economists R.A. Ubaydullayeva, N.K. Zokirova, B.Kh. Umurzakov, and N.Kh. Rakhimova, "the labour market is a system of multifactorial, complex socio-economic process that regulate mutual relations of the active part of the population (employed and in need of labour activity), carrying out the sale and purchase of "ability to work", as well as directly stabilizing the demand and supply of labour power".

Economists D.G. Rakhimova, G.K. Abdurakhmanova, Sh.R. Khalmuminov emphasize that research is needed for employment and the labour market in conjunction with macroeconomics. Employment and the labour market are interrelated elements of the macroeconomic system, since the concept of the sphere of employment is broader than the labour market. Labour market regulation is part of employment.

So, employment is a general economic category, embodying various forms of socio-economic relations at the macro and micro levels (directly at the enterprise, in production sector and in the market). In this sense, we believe that employment is a legitimate, remunerative, income-generating, ensuring the needs of the activity of individuals. At the same time, there are socio-economic relations that characterize the level of proportionality of the demand and supply of labour resources in the labour market in quantitative and qualitative terms.

Based on the analysis of the basic concepts of labour market regulation, it can be concluded that the main thing in considering labour market regulation issues in economic theory is determining the level of state intervention in the process occurring in the labour market and in labour market regulation methods. Practically, the mechanism for regulating the labour market has not been investigated as an independent economic category, but is considered within the framework of an economic regulation mechanism.

The need for forming labour market regulation mechanisms is associated with the characteristics and differences in economic life, the interests of social strata in different countries, temporary differences, economic systems (within which various methods of labour market regulation are used).

In order to improve employment policy, it is necessary to take into account the numerous conditions of the labour market of each country. At the same time, it is not enough to limit oneself to the classification of labour markets into open and closed, official and non-official, individual labour markets by profession and specialty. According to experts of the International Labour Organization, when developing and implementing comprehensive measures aimed at pursuing an active policy in a particular labour market, the following are considered important:

– gender and age of employed and unemployed persons;

– average age of people joining the labour resources and influence of this factor on qualification of workers;

– the share of wages received in hired, self-employed, government benefits, rental income, real estate in,family income;

– level of urbanization, scale of formal and informal employment in cities, level of employment in agriculture and in non-agricultural sector;

– classification of enterprises according to their scale and forms of ownership;

– openness of the economy for international competition, including accounting for the share of trade in national income, as well as the importance of foreign investment;

– development and efficiency of labour institutions, including organizations of employers and workers;

– volume of labour legislation, level of its coverage, implementation of this legislation, social protection of workers and social insurance.

Summarizing the above provisions, in our opinion, the mechanisms for regulating the labour market from a macroeconomic position should be investigated in this order:

– firstly, the development trends of the market economy as a dynamic category (with an analysis of important legitimacy of the economic system development);

– secondly, as an integral part of socio-economic system (wherein it is necessary to take into account the impact on the labour market of the economic, social, demographic, scientific and technical environment);

– thirdly, as the most important object of regulation of employment relations (wherein it is necessary to take into account the interconnection of economic and social structures);

– fourthly, interrelation of various entities of labour market regulation (wherein various objects of regulation should be directed);

– fifthly, on the basis of features of the mechanisms of market and non-market regulation (wherein it is necessary to take into account the objective properties of the labour market relations, as well as the subjective influences on the functioning process).

3.2. Conditions for labour market formation

The existing peculiarity of conditions for labour market formation is determined by a variety of factors that differ in sphere, depth, direction and duration of action. Some of them have a global (unidirectional or multidirectional) character of influence on the movement of supply and demand on the labour market. Others act selectively, activating or constricting only the demand for labour or only the supply of labour power. There are factors of a local (territorial) or sectoral nature. Multiplicity and diversity of the action of factors that determine specifics of trends emerging in local labour markets and in Uzbekistan as a whole implies their subordination and classification. Without this, it would be difficult to reasonably choose ways of regulating the impact on the labour market, the extent of liberation and unemployment, to distinguish between functions of the state executive bodies responsible for the organization of labour relations and employment process.

The specificity of the labour market conditions of the Republic of Uzbekistan makes it possible to distinguish, first of all, a group of factors brought about by the historical features of the country's development. The presence of such factors causes the unacceptability of copying the models of the organization and regulation of the labour market used by developed and developing countries from the near and far abroad, the need for justifying their own model that meets the traditions of the organization and regulation of hired labour, the specific types of employer and hired employee, the mentality of the general population. Each country has its own historical features of development, which determine the meeting variety of models for organizing and regulating the labour market.

The basis for formation of the labour market in Uzbekistan is the Law "On Employment" (2019) and the Labour Code of the Republic of Uzbekistan (2019).

These legislative acts enshrine the human right to work, the choice of the form of employment, the guarantees of the social protection of the unemployed and others.

The Law of the Republic of Uzbekistan "On Employment of the Population" defines the competence of the state governing bodies in the field of regulating employment of the population.

State governing bodies:

– develop measures for the implementation of structural, financial, credit, investment and tax policies that ensure formation and development of the labour market;

– carry out analytical studies of the structure of the economy, forecasting the state of the labour market and the situation in the field of employment, carry out state statistical accounting and reporting in this area;

– develop and implement employment programs;

– provide relevant state guarantees, as well as protection of legitimate rights and interests of citizens in the field of employment;

– contribute to creation of additional jobs, improve working conditions;

– implement other powers in accordance with the legislation.

The state provides the following additional guarantees for employment of certain categories of the population:

– persons in need of social protection, who have difficulty finding a job and are not able to compete on equal terms in the labour market, including single parents and large families who have children under the age of fourteen and disabled children;

– young people who graduated from secondary special, vocational education institutions, as well as graduates of higher education institutions who studied under state grants;

– dismissed from compulsory military service from the Armed Forces of the Republic of Uzbekistan;

– disabled people and persons of pre-retirement age;

– persons released from penitentiary institutions or subjected to compulsory medical measures by court order;

– victims of human trafficking.

Additional guarantees are provided by creating additional jobs, specialized enterprises, including enterprises for disabled people, organizing special training programs, establishing for enterprises, institutions and organizations a minimum number of jobs for employment of the categories of citizens specified in the first part of this article, as well as other measures provided by the legislation.

The employer is obliged to recruit persons referred to in the first part of this article, sent by local labour authorities and other bodies in the manner prescribed by the legislation, for employment at workplaces on account of the established minimum number of workplaces. The employer and persons authorized by him who unreasonably refused to hire these persons are liable in accordance with the established procedure.

Formation of labour market requires creation of economic, social and legal conditions.

Economic conditions of the labour market are based on:

– economic freedom on the means of production, including the right to private property;

– at freedom of implementing labour activity, i.e., free choice of profession, workplace, prohibition of forced labour;

– at freedom of entrepreneurial activity, at the same time conduction of their business or collective should be guaranteed.

Social conditions of the labour market proceed from the fact that there are uncompetitive groups of the population (women, young people, disabled people) in the labour market and they should be guaranteed jobs. In addition, social protection of the unemployed, ensuring safety of labour is required.

The legal conditions of the labour market provide for development, adoption and application in practice of normative-legal documents that establish the right to labour activity of the population and social protection of workers.

Therefore, the entities, the legal framework, the conjuncture and the infrastructure of the labour market are its component parts (Fig. 3.2).

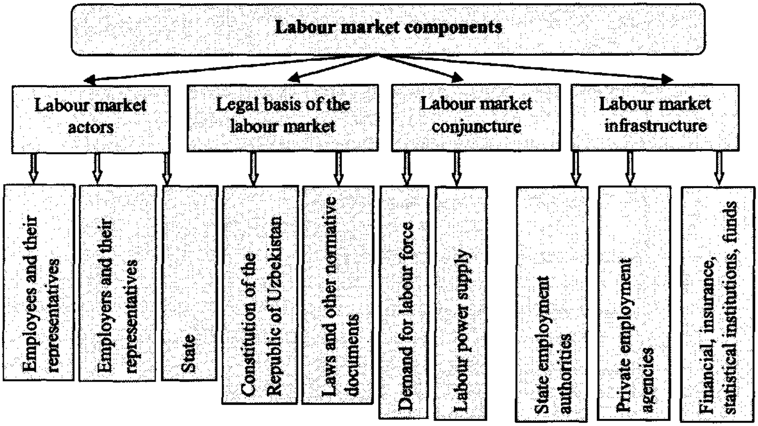

Fig. 3.2. Labour market components

Labour market actors are employees, their representatives (trade unions), employers and their representatives (Chamber of Commerce and Industry) and the state. Labour market actors in the regulation of social and labour relations are social partners.

The Labour Code of the Republic of Uzbekistan states that actors of labour relations may become citizens of the Republic of Uzbekistan, as well as foreign citizens and stateless persons who have reached the established age (16) and entered into a labour contract with the employer.

In enterprises, trade unions and their chosen bodies, or other bodies chosen by employees, can express their interests and protect these interests.

Employers can be:

1) enterprises, including their separate structural sub-divisions, represented by their managers;

2) private enterprises, the owner of which is at the same time their manager;

3) individuals who have reached eighteen years of age, in cases provided by legislation;

4) individual entrepreneurs engaged in hiring workers in the manner prescribed by the Cabinet of Ministers of the Republic of Uzbekistan.

The employer has the right to form, together with other employers, public associations for protection of their interests and to join such associations.

Implementation of state policy in employment and provision of citizens with appropriate guarantees are provided by the Ministry of Employment and Labour Relations of the Republic of Uzbekistan and its local bodies.

The state, as labour relations actor, executes the following functions (Fig. 3.3):

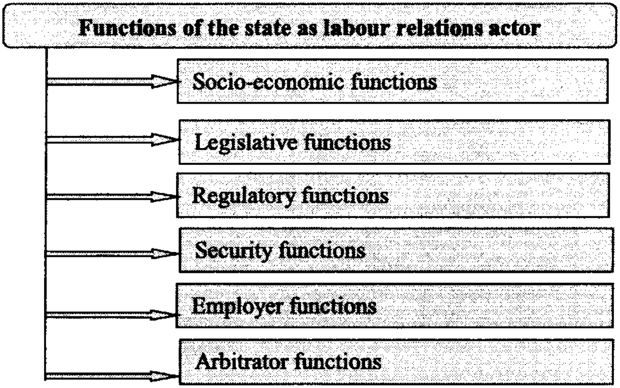

Fig. 3.3. Functions of the state as labour relations actor

– *socio-economic functions* (through incentives for creating jobs in all sectors of the economy, ensuring employment of the population);

– *legislative functions* (development, adoption and ensuring the execution of the normative-legal documents in social and labour relations);

– *regulatory functions*:

a) labour market regulation by indirect methods;

b) determining the rights and obligations of labour market entities;

c) development and implementation of employment programs;

d) conclusion of annual general and sectoral agreements;

– *protection function* is protection of the rights of labour market entities;

– *functions of the employer* are management of the enterprise and development of independent decisions within its powers; conclusion and termination of individual labour contracts in accordance with the legislation;

– *function of an arbitrator* is to resolve labour disputes between employees and employers.

The legal basis for functioning of the labour market is enshrined in the Constitution, the Labour Code of the Republic of Uzbekistan, the Law "On Employment of the Population", decrees and resolutions of the President, resolutions of the Cabinet of Ministers of the Republic of Uzbekistan. They define the guarantees of the rights of citizens to work, free choice of work, labour in favorable conditions, protection against unemployment.

The labour market conjuncture is the ratio of demand and supply in the context of all components of the market structure. It develops depending on:

– the state of the economy (rise or decline);
– the sectoral structure of the economy;
– the level of development of the technical basis;
– the wellbeing and income level of the population;
– the development of the market of commodities, services, housing, securities;
– the state of social and industrial infrastructure;
– the degree of development of a multi-structured economy;
– the measures for development of integration relations.

The labour market conjuncture demonstrates the supply and demand for labour resources. At the same time the following can be observed:

– *shortage of labour resources*. This means the excess of the demand for labour over its supply;

– *unemployment*. This means the excess of labour offers over the demand for workers;

– *balance*. This means compliance with the demand for labour and its supply.

The infrastructure of the labour market is a set of institutions and organizations that ensure its normal functioning. It includes: labour exchanges, state systems of accounting for labour demand, personnel retraining, regulation of migrations, subsidies to the population, aggregate of institutions for promoting employment, professional training and retraining of personnel, professional orientation of the able-bodied population.

Consistency in the goals, interests and needs of the employee and the employer is achieved in the labour market (Fig. 3.4). This leads to free and healthy competition. In such a free and healthy labour market, employees can compete for getting a profitable workplace.

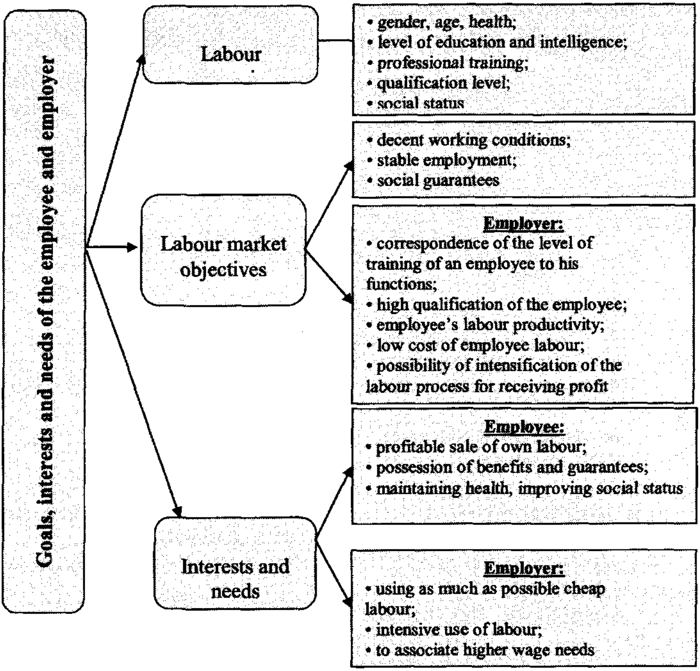

Fig. 3.4. Goals, interests and needs of the employee and employer

The labour market also requires the presence of numerous employers offering jobs. Only in this case it is possible to compete not only between employees for a decent job, but also between employers for hiring skilled workers.

The main factor in achieving a competitive advantage in the labour market by employers is proposals to stimulate workers. These proposals should include not only decent payment for work, but also bonuses, benefits, social status, investment in human capital, security guarantees, work arrangements, working conditions and other opportunities.

Self-employment, preparation of the workplace itself is inherent in small business and entrepreneurship, family business, home-based work. Development of technology, introduction of new technologies has expanded the circle of independent labour activity of people. This dramatically increased the use of labour in people who do not have the means of production. Therefore, in the economy of the post-industrial society, free hiring and dismissal of the labour power have increased the competitiveness of enterprises in the market for commodities and services.

If the law restricts this right of the employer, it will prevent the release of less efficient workers, and hire highly qualified workers in their workplace. In addition, in this situation, the employee will lose the motivation to improve the qualifications to achieve higher labour productivity.

Despite the fact that in Uzbekistan the state took measures aimed at using the socially oriented model of labour market regulation and pursuing an active policy on it, the labour authorities did not have the opportunity to reduce the demand for labour and stimulate an increase in this demand.

At one time, the majority of workers who do not have labour income or have "shadow", occupied temporary non-functioning jobs, which complicated the assessment of the labour market due to the non-objectivity of information. In addition, the scale of hidden and self-employed activity expanded. Due to the fact that these negative phenomena could not be analyzed, it was difficult to determine the level of unemployment.

In those years, special attention was paid to reducing the level of unemployment and mitigating its effects. Measures were also taken to achieve compliance with the demand for labour supply in the labour market.

At a qualitatively new stage of the social and labour market in Uzbekistan (after 2000), there were positive changes in the macroeconomy, which had a serious impact on formation of the labour market (Fig. 3.5).

– ensuring equal opportunities in implementation of the right to work and free choice of employment for all citizens regardless of gender, age, race, nationality, language, social origin, property and official status, attitude to religion, belief, membership in public associations, as well as other circumstances who are not associated with business qualities of workers and the results of their labour;

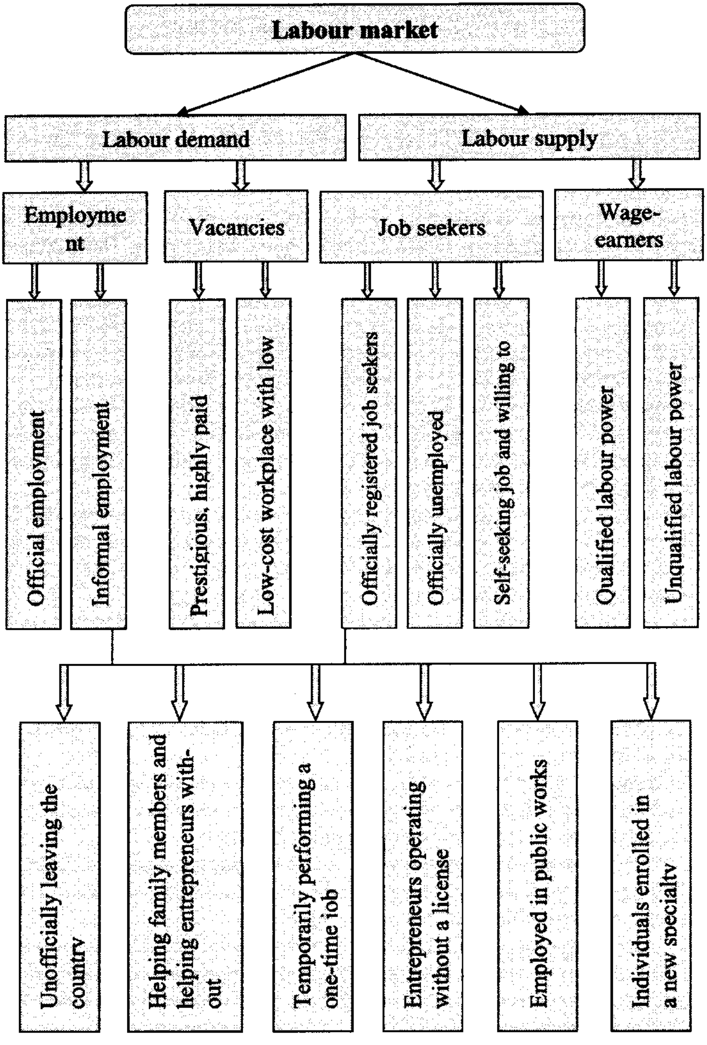

Fig. 3.5. Detailed structure of the labour market

In the new legislation of Uzbekistan, the state employment policy is based on the following principles:

– support and encouragement of the labour and entrepreneurial initiative of people, promoting the development of their abilities for productive and creative work, ensuring decent working and living conditions;

– voluntary labour;

– provision of social guarantees in the field of employment and ensuring protection of the population against unemployment;

– encouraging employers who retain existing and create new jobs for citizens who are especially in need of social protection and who have difficulty in finding a job;

– coordination of employment activities with other areas of economic and social policy;

– interaction of state bodies, trade unions, representative bodies of employees and employers in development, implementation and monitoring the implementation of measures to ensure employment of the population;

– interstate cooperation in solving problems of employment of the population.

Currently, more than 600 thousand able-bodied young people who graduated from education institutions enter the country's labour market annually. Along with this, 250 thousand people, having reached the retirement age, leave the labour market. Annual growth in labour market offers by 350 thousand people requires completely new approaches to providing employment for the able-bodied population.

In order to improve the efficiency of activities of government agencies on ensuring employment, creating favorable conditions for involving the population, especially young people in labour activities, protecting labour rights, improving labour safety, strengthening the responsibility of state and economic governing bodies, as well as local government authorities for the provision of employment, the Ministry of Employment and Labour Relations of the Republic of Uzbekistan and its territorial divisions have been given a number of new tasks, namely:

– implementation, based on a thorough analysis of the actual state of the labour market in the context of the country's regions, a set of targeted measures aimed at ensuring employment by developing and coordinating the implementation of territorial and sectoral employment programs, establishing a state order for the creation of new jobs and quotas on employment of socially vulnerable groups of the population;

– ensuring employment of unemployed who applied to the labour authorities, attracting people to participate in community work, primarily within the framework of large investment projects, construction, repair and reconstruction of road and housing infrastructure facilities, improvement of cities and districts, seasonal agricultural work;

– cardinal improvement of the system of vocational training, retraining and advanced training of people in need of employment, especially for unemployed youth, people with disabilities and the unemployed in accordance with the real needs of the economy and the labour market;

– implementation, jointly with other ministries, agencies and economic management bodies, of measures for ensuring employment of graduates of higher and secondary special and vocational education institutions in accordance with the specialty received by them;

– development and implementation of relevant market conditions of normative and legal acts in the field of labour market regulation, employment, labour relations, labour protection, professional and labour standards, ensuring compliance with gender equality, vocational training and retraining of the unemployed, social protection of the unemployed and taking control over their execution;

– active introduction of advanced information technologies in the employment process, including creation and continuous development of the national base of vacancies;

– creation of a modern infrastructure and competitive environment in the service market for employment promotion, formation of effective mechanisms for interaction between state and economic management bodies, local executive authorities at places, education institutions, non-governmental organizations, civil society institutions and the public in issues of ensuring employment of the population;

– ensuring control and supervision over compliance with the requirements of legislation in the field of labour protection and employment, examination of working conditions, implementation of specific measures for further improvement of labour relations, mechanisms of material incentives for labour;

– carrying out wide information and explanatory work among the population and employers on the issues of labour rights and labour protection;

– monitoring the timely payment of benefits and material assistance to low-income families and development of individual programs for withdrawal of families from low-income status by assisting them in providing employment and enhancing private business activities of able-bodied family members.

There are 194 district (city) employment assistance centers in the country. The Ministry of Employment and Labour Relations, jointly with the United Nations Development Programme (UNDP), created an electronic system "Labour Market". This system allowed receiving direct reports and statistical data from district (city) employment promotion centers.

Along with this, Uzbekistan launched the state portal "Online system for placing and searching information about free jobs and employees", which allows to establish a direct link between employers and citizens looking for work, where the information is updated monthly.

Currently, the country is developing and implementing territorial and sectoral employment programs annually. They focus on unconditional implementation of government orders for creation of jobs and mandatory quoting of jobs for uncompetitive citizens in the labour market.

The able-bodied population is also involved in public works, implementation of large projects, creation of road and municipal infrastructure, their repair and reconstruction, landscaping cities and villages, and seasonal agricultural work.

Employment services market uses effective cooperation mechanisms of the state and economic management bodies, local state governing bodies, education institutions, non-profit non-governmental organizations and the public in issues of creating modern infrastructure and competitive environment, providing employment for the population.

3.3. Types of Labour Market

In any market, there are sellers and buyers, and in this respect the labour market is no exception, that is, it consists of all those who sell and buy labour. According to the foreign classification, there are types of labour market: external (professional) and internal, the main distinguishing features of which are the system of vocational training, methods of improving the professional qualification level, the practice of promoting workers and filling vacancies, especially regulation based on collective agreement.

The labour market is qualified in many ways. Grouping them, we can define the following main types (Fig. 3.6):

1. Based on territorial affiliation: international, national, regional, local, intrafirm.

International labour market covers national and territorial labour markets and provides for the migration of capital and labour.

National labour market covers all sectors of the national economy and all sectors can choose necessary workers for their industries through it.

Regional labour markets contribute to distribution of labour resources from regions with a surplus of able-bodied population to regions experiencing a shortage of workers.

Local labour markets provide for the mobility of workers among business entities.

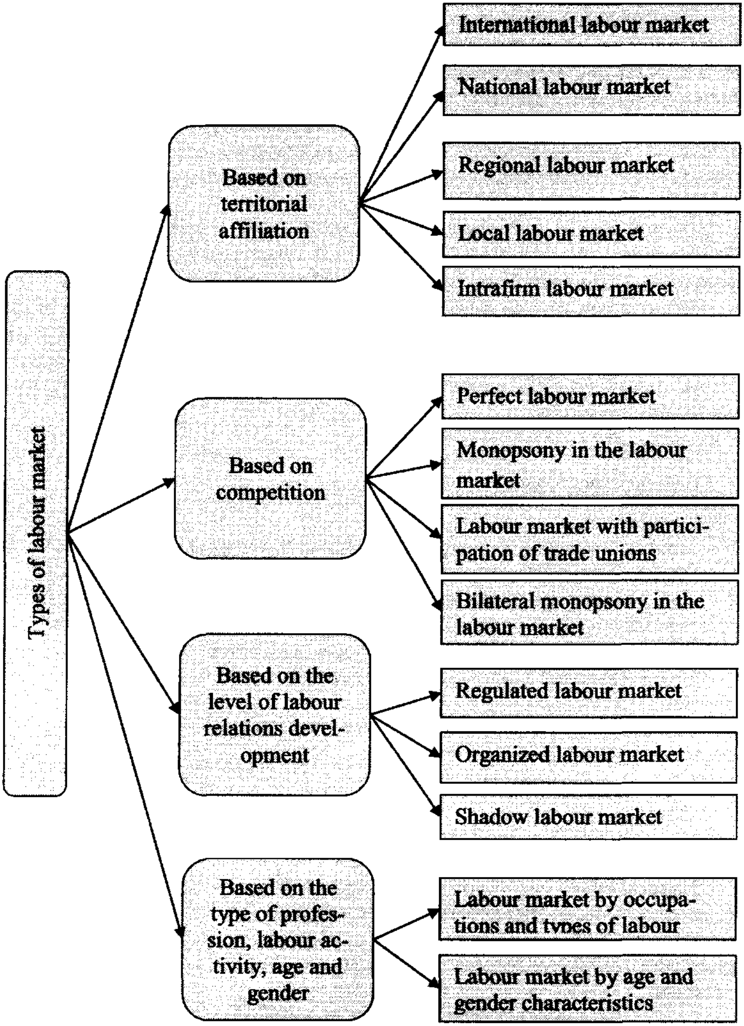

Fig. 3.6. Types of labour market

Internal labour markets are designed for the mobility of workers within the enterprise. At the same time, workers change jobs in order to improve their professional status, increase salaries, and improve working conditions.

2. Based on competition: labour markets of perfect competition, monopsony, bilateral monopsony and with participation of trade unions.

The labour market in conditions of perfect competition has the following features:

– large number of firms competing in the market in hiring workers of this type of labour;

– presence of many employees of the same qualifications, offering their labour;

– neither firms nor workers can dictate wage rates.

Monopsony in the labour market means that it has a single buyer of labour resources.

Monopsony in the labour market occurs under the following conditions:

– a significant number of skilled workers, not united in a trade union, interact in the labour market on the one hand, and on the other, either one large monopsonist firm or several companies united in one group and acting as a single employer;

– this firm (group of companies) hires the bulk of the total number of specialists of a profession;

– this type of labour does not have high mobility (for example, due to social conditions, geographical disunity, the need to acquire a new specialty, etc.);

– the monopsonist firm itself sets the wage rate, and the workers either have to agree with this rate or look for another job.

A labour market with elements of monopsony is not uncommon. Especially often such situations develop in small cities. If there are several (3-4 or more) buyers in the local labour market for labour resources, then such a market is called *oligopsony.*

Labour market with participation of trade unions. Such labour markets are characterized by trade union demands for wage increases. They may apply the following measures:

– increasing demand for labour through pressure on employers. They will require employers to increase the hiring of workers;

– through increasing labour productivity. For this purpose, working and administrative committees are created at enterprises;

– through increasing in wages. Trade unions can organize workers for making demands on employers to achieve their goals.

Bilateral monopsony of the labour market – when the labour market has conditionally one seller (monopolist) and one buyer (monopsonist). In other words, a bilateral monopsony is a monopsony limited to a monopoly.

Labour market in monocities that have one city-forming enterprise, which places demand for labour, and one well-organized and strong trade union selling it can serve as a typical example of bilateral monopsony in developed economies. Another example would be the only bakery in the village, which uses flour as a resource produced by a single flour mill.

With a bilateral monopsony, a situation arises whereby neither side can force a partner to behave like an entity of a perfect competitive labour market by market methods. Therefore, the final conditions for a bilateral monopsony are determined by a relative ability of its entities to bargain.

3. According to the level of labour relations development. These labour markets are classified as regulated, organized and shadow.

Regulated labour markets operate according to the laws of the country, labour relations are based on labour contracts. In these markets in order to implement the state employment policy, their infrastructure is being improved, taking into account changes occurring in the economy. Labour relations in organized labour markets are based on:

- social and labour laws;
- collective agreements;
- labour agreements, contractual systems;
- regulation through arbitration and court decisions, internal rules of business entities.

Organized labour markets are distinguished by institutional structural properties.

Institutional labour market includes:

- professional training, continuous education system;
- temporary employment system;
- government programs for protecting the unemployed.

Structural labour markets, within the national framework, are distinguished by labour markets on occupation, taking into account demographic, regional and other features.

The shadow (unregulated) *labour market* is a product of the "shadow" economy. In these labour markets, hired workers do not enjoy any social protection at all. Along with this, due to the fact that usually with such shadow labour activity the salary level is relatively high, workers are ready to work without social guarantees.

4. Labour markets by occupation, types of labour activity, age and gender. They consist mainly of the following:

– labour markets by profession and type of activity (teachers, accountants, lawyers, health workers, art, literature and others);

– labour markets by age and gender (youth, women and others).

Presence of internal and external labour markets is closely related to their flexibility and segmentation, which allows analyzing the causes and factors affecting both positively and negatively the mobility of the labour power.

Segmentation of the labour market is due to the following:

– applied production technologies determine the structure of workplaces, and not all of them are required high qualification and professional training. In major productions, there are many auxiliary and subsidiary works for which such training is not required along with works requiring special training and knowledge. Accordingly, it is easier for an employer to select workers for them, and there is no need for additional investments in specific human capital. Consequently, the applied technologies already dictate the division of workplaces and workers into the primary and secondary sectors;

– production is subject to conjunctural ups and downs. In conditions of information uncertainty, in order to react to them, enterprises must be able to increase or decrease the amount of labour used. This leads to the fact that the personnel of the enterprise are divided into two parts, to permanent workers and temporary ones, which are hired under favorable economic conditions and dismissed during a decline in production. Adaptation of the enterprise to the economic situation occurs due to the release of temporary workers and reduction of working time or intraindustrial displacement of main workers;

– there are barriers to labour power mobility between different segments of the labour market associated with discrimination in the labour market.

The study of the segmentation of the labour market led to creation of a theory of duality of the labour market, in which the division of the labour market into two parts is expected: the primary and secondary markets (Table 3.2).

Primary labour market is a market in which prestigious jobs are present. Work in the primary labour market is more characteristic for internal (intrafirm) market. Work in the primary labour market can be characterized by the following features:

– firstly, stable employment and reliability of the position of the employee;

– secondly, high wages;

– thirdly, the presence of service ladders with clearly defined opportunities for professional growth and promotion;

– fourthly, the use of advanced technologies that require highly skilled workers;

– fifthly, the presence of strong and effective trade unions.

Secondary labour market is a market where there are no prestigious jobs that are characterized by features that are directly opposed to primary markets. In the secondary labour market:

– firstly, there is a high staff turnover and unstable employment;
– secondly, low wages;
– thirdly, there is practically no progress on the service ladder, except for certain limited cases;
– fourthly, production technology is primitive and labourious;
– fifthly, there are no trade unions.

Table 3.2.

Main properties of primary and secondary labour markets

Basic properties	Primary labour market	Secondary labour market
1	2	3
Wage rate	High	Low
Properties of remuneration forms	High proportion of one-time payments, personal form of remuneration	Important role of basic wages, collective salary
Contents of labour activity	Creative, highly skilled	Executive, monotonous
Working conditions	Satisfactory	Unsatisfactory
Responsibility for the final result	High	Low
Employment properties	Stable	Unstable
Working time properties	Normalized working day, week, month	Part-time work, week, seasonal and temporary work
Duration of employment contract	Long-term	Short-term
Percentage in need of separate social protection	Low	High
Social security level	High	Low
Funds allocated for education and training	Large	Insufficient
Career growth opportunity	Big	Unsatisfactory
Level of participation in production management	High	Low

The flow of capital from unprofitable and low-profit industries to efficient production is determined along with other factors and needs for new jobs. If demand for the production of an entrepreneur increases, then accordingly, its price increases in accordance with the increase in its income. An increase in profits of an economic entity stimulates an entrepreneur to create new jobs.

In an economy based on the achievements of science and high technology, the employment strategy provides for the efficient use of human capital. Accumulation of human capital is determined by the need, determined in total demand. Such a demand has a definite influence on the total supply and the economic situation. Therefore, it is advisable that employees in the innovation economy not only receive a decent salary, but also become able to invest in their human capital.

In ILO Convention No. 122 "On Employment Policy", it is noted that with a view to stimulating economic growth and development, raising levels of living, meeting manpower requirements and overcoming unemployment and underemployment, each Member shall declare and pursue, as a major goal, an active policy designed to promote full, productive and freely chosen employment. The said policy shall aim at ensuring that:

– there is work for all who are available for and seeking work;
– such work is as productive as possible;
– there is freedom of choice of employment and the fullest possible opportunity for each worker to qualify for, and to use his skills and endowments in, a job for which he is well suited, irrespective of race, colour, sex, religion, political opinion, national extraction or social origin.

The said policy shall take due account of the stage and level of economic development and the mutual relationships between employment objectives and other economic and social objectives, and shall be pursued by methods that are appropriate to national conditions and practices.

The Copenhagen Declaration on Social Development, adopted at the World Summit, affirmed that in both economic and social terms, the most productive policies and investments are those that empower people to maximize their capacities, resources and opportunities.

By decision of the World Summit, a Working Group was established, coordination activity of which was entrusted to the ILO. At the initiative of the International Labour Organization, a Summary Report was prepared on the main trends in the labour markets of the Central and Eastern Europe and the CIS after 1990, describing the main problems. In this document it is emphasized that ensuring economic growth is the main means of achieving sustainable and full employment in any economy. To do this, economic policy should focus on the following:

– macroeconomic stability, maintaining the budget and monetary balance;

– constant monitoring and management of employment level in economic sectors;

– conducting institutional monitoring and in accordance with this taking necessary measures;

– development of human capital and all-round incentives for expansion of reproduction;

– poverty reduction and implementation of targeted programs aimed at assisting segments of the population in need of social protection[1].

This Consolidated Report also notes that employment policy should provide for an integrated approach to existing problems. This policy should include short-term, medium-term and long-term goals.

Thus, short-term goals of employment policy should be aimed at streamlining unemployment, assisting in employment of the able-bodied population.

And in the medium-term policy goals, it is necessary to provide for elimination of various inconsistencies in the economy and stimulating the demand for labour. At the same time, an active employment policy is required in economic sectors, through fair competition to create a favorable environment for entrepreneurship and investment process, to create effective jobs, to improve the quality of the labour power.

Long-term employment policy means ensuring full, efficient, and freely chosen labour activity. This also provides for the availability of a sufficient number of jobs that represent the opportunity for workers of free choice.

Adoption by the world community, along with traditional macroeconomic indicators and the Human Development Index, of important conclusions and recommendations is evidence of the adoption of a new concept of economic growth. The essence of this concept is simple, not a man for economy, but an economy for man. At the time, A. Marshall gave an exhaustive answer to this question. The scientist noted that creation of wealth is only a means of supporting human life, meeting his needs, development of his physical, mental, moral forces. But man himself is the main means of creating these benefits, and he himself serves the ultimate goals of these benefits[2].

In the 1950s of the 20th century, the American researcher T. Schultz identified, by his definition, the "residual factor" of increasing the productivity of labour. This "residual factor", which served man for acquiring and developing the ability to work, later became "the capital of knowledge and qualifications, turned into "human capital". The scientist noted that education is a form of human capital. It is

[1] Summary report. Overview of the main trends in the labour markets of Central and Eastern Europe and the CIS after 1990: characteristic of main problems. – M.: ILO Bureau, 2000.

[2] Marshall A. Principles of Economics. – M.: Progress, 1993. – P. 246.

human because it becomes a part of a person, and it is capital, because it is a source of future satisfaction or future earnings, or both of them together"[1].

Economists have concluded that, at present, only with an increase in the share of human capital in social benefits, stable economic growth is ensured. This means that intellectualization of production and mobility of employees is becoming a major factor in ensuring economic growth. For this reason, the volume of expenditures aimed at increasing the human capital of the state, entrepreneurs, and households becomes a criterion of development effectiveness.

As a result, the models of economic development take a new look. According to many experts, the following post-industrial economy in the economic literature is built on the basis of new factors. They are human development factors. Special properties of a post-industrial economy consist of the following properties:

1. The economic model of the post-industrial economy is not aimed at extensive, but intensive growth. The new model is aimed at ensuring an increase in the volume of GDP due to the use not of non-renewable natural resources, but of resource-saving technologies. According to the figurative expression of P. Palzer, in the modern economy, it is required "to make computers from clay"[2]. Therefore, in contrast to the traditional "economy of natural resources" (land, labour power, minerals and others), this "smart" economy is called "technological economy". This economy is capable of increasing and sharply reducing the dependence of economic growth on natural resources.

2. In this model of economic development, in contrast to the traditional industrial model, tangible assets and fixed assets, as well as the tangible value of production, are not decisive. In the new development model, the accounting of material costs frees up its place for accounting information costs that have a quick refund. Therefore, some researchers call this system of management "information economy"[3].

3. A new economic model is an economy based on the achievements of science and high technology. Main attention in it is paid to knowledge, technological development, and innovation. Therefore, human capital (potential) is in the center of this model.

4. A new economic model dramatically increases the importance of organizational and management systems. It qualitatively changes the practice of traditional management and turns human potential into management.

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[1] Human development: a new dimension of socio-economic progress. – M.: Human Rights, 2000. – P. 464.

[2] Pilzer P. Unlimited Wealth. The theory and practice of economic alchemy. – N.Y.: Crown publish, 1990.

[3] Casson M. The organization of the multinational enterprise. An information cost approach // Management intern.rev. – Vol. 39. No. 1. – P. 77–121.

5. A new economic model is distinguished by completely new properties in the sphere of social and labour relations:

– the demand is growing not for labour power, but for human capital, highly skilled, with deep knowledge, able to participate in the strategic planning of the worker. This radically changes the labour market, as well as the sphere of employment. Decent jobs are guaranteed for such workers, they become objects of state care. Therefore, the human capital market should have a different composition than the labour market and be professionally regulated;

– due to changes in the quality of the labour power, the relationship between employees and employers should also be based on a new basis. Therefore, it is required to establish relations between them on the basis of partnership, employers should assume a higher responsibility for social protection of workers.

6. A new economic model is also considered a new branch of economy. In this system:

– processing industries have priority over branches of raw orientation, "urbanization" industries over agriculture, industries based on science over simple production, services sector over manufacturing industries;

– the sphere of information technologies will be crucial throughout the labour system.

For this, the entire modern economy, including the economy of Uzbekistan, for development of a new economic model must achieve the following conditions:

1. *Creating a system of intensive management*: achieving an increase in GDP not at the expense of natural resources, but through the widespread introduction of resource-saving technologies.

2. *Formation of the economy of intellectual capital*: transition to technology based on value added.

3. *Formation of the economy of human capital.* This means that a significant part of labour resources should consist of employees with a high level of knowledge and qualifications, initiators of implementation of innovative projects. For them, in spite of any conjuncture in the labour market, there must be guaranteed jobs.

4. *An economy with an effective organizational and management system.* For this economy, strategic planning (general management, including human capital management) and information management will be more important than daily production management (technical management).

5. *Economy, with a qualitatively new system of the labour market and employment.* In such an economy, employment of human capital and a labour market with an adequate supply of human capital, effectively regulated by the state, are guaranteed.

6. *The economy that has a qualitatively new industry structure*. In such an economy, information technologies and industries developing on the basis of high-value-added production become priority.

However, if in certain industries (for example, industries based on the achievements of science and high technology) there is a high demand for workers with large human capital, in others, for example, in agriculture, there is insufficient. Therefore, at present, employment issues are acquiring a sectoral trend. The sectoral employment trend is changing the traditional concepts of employment and unemployment. Because:

– the national economy itself must choose whether it will remain traditional or carry out appropriate institutional reforms, taking into account the sectoral employment trend;

– in an economy that has preserved the traditional properties of employment, attention to issues of development of human capital will weaken, it will open the way to development of an independent "shadow" employment;

– the national economy, which has chosen to carry out institutional reforms in accordance with current trends, will take measures to change the structure of employment, as a result, production based on the achievements of science will rapidly develop, which in turn will increase the need for human potential.

It should be noted that direct investments in technical progress are different from investments aimed at expanding production (increasing production capacity to increase production of commodities and services). For example, the ultimate goal of introducing the results of innovation is to reduce costs per unit of output, i.e., reduce labour costs. And investments aimed at expanding production are focused on meeting growing demand.

At the same time, there is a relationship between investments in technical progress and investments aimed at expanding production. The fact is that the growth in demand (expansion of production, stimulation of investment), as a result of technical progress, is associated with an increase in real incomes of economic entities. And this creates a large consumer demand to meet new needs.

Thus, on the one hand, in sectors and industries in which investments are directed to innovation, there is usually a reduction in labour resources, and in industries in which investments are directed to expansion of production, the demand for workers will also increase.

Among the factors affecting the working-age population, demographic factors are very important. Reproduction of the population in a particular country or region affects not only the number of labour resources, but also their structure and quality (age, gender, health, etc.).

It is also necessary to point out the trend of changing the ratio of economically active and inactive labour resources. In general, the problem of formation of the economic activity of the population is associated with labour motivation. However, the study of this problem is beyond the scope of our research. It is necessary to emphasize that the system of labour stimulation in a transition economy should consist of the following factors:

– firstly, it is a system of material, monetary stimulation of labour. Its essence consists not only in a certain level of payment for labour, but also in providing a positive solution to the issue of labour costs of an employee and their wages;

– secondly, it is a system of material incentives, which has a social property (non-monetary form). This system should cover comfortable working conditions, ensuring labour motivation through the transition to a creative, rich in content labour process, stimulated by representation of a greater amount of free time, creating a favorable environment in the team;

– thirdly, to stimulate a person not as a mechanism that performs the production function, but to motivate him as a person.

The above three methods of labour incentives should constitute a coherent system of motivations applied to the individual employee and team.

The boundaries of economically active and inactive labour resources are very mobile and their changes are influenced by both economic and non-economic factors: the standard of living of the population and individuals, changes in wages and other conditions of employment, the demographic structure of labour resources, national traditions, regulation of participation of various groups of the population in public works and others.

An important indicator affecting the labour resources and the quality of the labour power is their vocational qualification structure.

In each individual case, the vocational qualification composition of labour resources is determined by the education system and vocational training. In determining the quality of the labour power, its professional and territorial mobility is important (especially in a transition economy). The level of this quality is determined by a number of factors: national traditions, level of development of the market infrastructure, availability of the housing market.

Labour legislation directly influences the formation of the level of employment. Normative and legal documents describing unemployment (definition of unemployment, the procedure for obtaining this status, keeping statistics on exact forms of unemployment, and others) should be constantly improved to meet the requirements of the time.

In particular, at the present time, the imperfection of the corresponding instructions is already defined when registering unemployment. As a result, the Employment Promotion Centers register only a part of job seekers and the unemployed who apply to employment agencies. And many unemployed are looking for work on their own and are practically not covered by official statistics and do not enjoy appropriate benefits.

In the Republic of Uzbekistan, the following factors directly influence the formation of employment and the labour market:

– continuation and consolidation of the trend of stable economic growth associated with creation of new jobs in small business;

– optimization of structural changes in the economy and the number of managerial personnel (this is due to the dismissal of workers and the entry into the labour market of an excess of labour power);

– active transfer of collective farms to farms (as a result of this, it will be possible to reduce labour costs per unit of production by 8-10%);

– reducing the possibility of increasing employment due to creation of dehkan farms;

– increase in the number of labour resources;

– migration figures of the able-bodied population;

– an increase in the demand in the economy of qualified labour power, first of all, of workers who are capable of carrying out business activities.

So, the labour market is a complex and dynamic phenomenon associated with development of the country's macroeconomics and the employee's labour motivation. This concept goes beyond the purchase and sale of labour services.

The labour market is an imperfect system. Its market mechanisms have several disadvantages. In particular, the labour market is not able to provide full employment and cannot protect workers from unemployment. Here ruthless selection of the most competitive workers is carried out. The position of workers in the labour market was initially lower than employers. Therefore, to protect the interests of workers, external influence on the labour market is required.

The labour market is an open system. It is affected by external influences: demographic, scientific, technical, social, economic, legal, as well as economic development, pursued employment policy, changing historical, national and geographical factors, and others. Changing factors have a negative impact on the market. To reduce it, the labour market must be constantly regulated.

The labour market has an impact on macroeconomics, which means on the social situation in society. With increasing demand for non-compliance and proposals, i.e., when conditions change, social instability may occur in the labour market.

The labour market represents a complex socio-economic system associated with important aspects of the life of society. In the modern conditions of development, the labour market needs a constant rethinking of the approaches to its essence established in economics, the formation, analysis of optimal methods of influence and regulation.

Labour market regulation is one of the priority tasks of the state (successful socio-economic development of the country as a whole depends on its effective functioning) and represents a process aimed at reducing unemployment, achieving full and effective employment of the population, increasing competitiveness in the labour market.

In modern conditions, formation and development of the labour market is impossible only in conditions of self-regulation by the effect of the market mechanism due to the fact that complex transformational process in political, economic and social spheres constantly occur, the influence of which negatively affects the state of the national economy generally and the labour market in particular. Therefore, there is a need for state regulation of the labour market with the help of a group of methods that allow minimizing the negative effects of crisis phenomena, as well as ensuring social protection of the population against unemployment, increasing its competitiveness.

Most importantly, in order for the changes not to take on a spontaneous character, the state assumed responsibility as the main reformer.

First of all, the following measures were taken when reforming the economy in the country:

- ensuring economic stability;
- carrying out institutional and market reforms;
- implementation of structural changes in the national economy through public investment programs and attracting foreign investment.

Stabilization of the economy and preservation of economic equilibrium did not allow a sharp decline in production and mass unemployment, as well as depreciation of money.

State policy in employment, social and labour relations are the main means of regulating the labour market (Fig. 3.7).

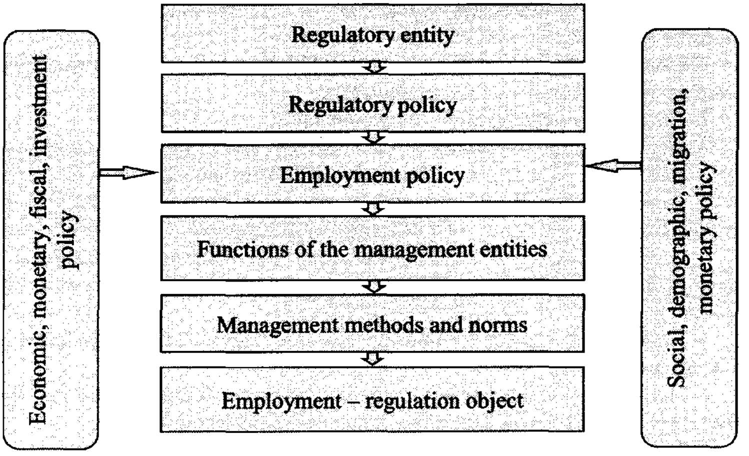

Fig. 3.7. Institutional model of employment regulation, social and labour relations

The main goal of regulation of the state labour market is to increase the demand for labour power and support effective labour supply. This policy is aimed at:

– expanding opportunities for economic growth, forming the potential of labour resources and ensuring their compliance with structural changes in the economy;

– easing social tensions through increasing the employment of various categories of the population and reducing unemployment.

In the context of the global crisis, it is necessary to ensure by all measures the stabilization of employment and increasing demand for labour. The Constitution of the Republic of Uzbekistan states one of the most important economic and social rights "Everyone shall have the right to work, free choice of work, fair conditions of labour and protection against unemployment in the procedure specified by law"[1].

The great Uzbek statesmen paid great attention to the right of the population to work. So, Amir Temur in his "The Code of Temur" emphasized the importance of masters of various professions in the state.

[1] Constitution of the Republic of Uzbekistan // National legislation database, 16.10.2018, No. 03/18/498/2051).

In "Qobusnoma" ("Encyclopedia") of Kaykovus it is noted that "It is useful through mastering a profession, by labour, to free the body from laziness, idleness"[1].

The state has determined the main areas of labour market policy. These areas are implemented at various stages of regulation.

1. The labour market of the country includes:

– supporting the real sector of the economy, establishment of an optimal level of taxation aimed at redistribution and regulation of income;

– supporting small business and private entrepreneurship: allocation of loans to increase jobs, provision of tax incentives, i.e., promotion of labour services;

– ensuring mobility of labour power, allocation of subsidies to families for moving from regions with excess labour power to regions with high demand for labour power;

– government support for noncompetitive categories of the population in labour markets;

– improving the general level of labour resources formation, training and professional development in specialties demanded in the labour market.

2. In the regional labour markets it envisaged:

– to create a data bank on vacancies by profession, economic sectors and regions of the country for job seekers and presentation of these jobs;

– to implement social measures for unprotected groups of workers in order to boost regional employment;

[1] Kaykovus. Qobusnoma. – Tashkent: Istiqlol, 1994. – p. 31.

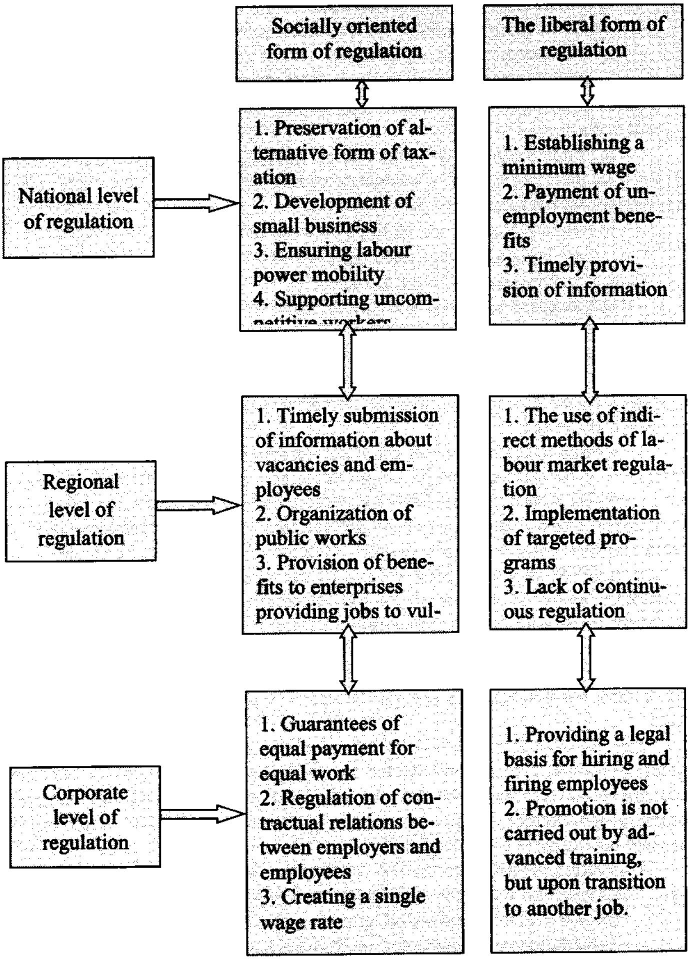

Fig. 3.8. Regulation of the labour market by the state

– to provide benefits to small enterprises, especially those starting business activities, taking into account the structure of the regional economy;

– to create employment agencies;

– to analyze structural and technological changes in the regional economy;

– to regulate investments in human capital, based on the requirements of the regional economy;

– to conduct analysis of statistical and marketing research data of the labour market. On their basis, create necessary conditions for improving activities of employment services for the population.

– to regulate contractual relations between employers and employees;

– to develop single wage rates and others (Fig. 3.8).

3. At intrafirm level it is envisaged:

– to guarantee equal payment for the same work, regardless of the financial situation of an enterprise;

At the regional level, where necessary, we can use indirect methods of labour market regulation or implement targeted programs. In addition, we can use legislative methods, the adoption of normative acts that take into account the features of the region.

According to the Institute of Employment Problems of the Russian Academy of Sciences, new requirements for employment policy provide for the formation of developed and socially oriented labour markets and the use of their regularity. At the same time, firstly, the state policy on regulation of the labour market should not contradict the requirements of economic efficiency. The high level of employment of the population should be provided not by the maintenance of surplus labour in enterprises, but by the creation of new jobs. Secondly, it is necessary to create conditions for approximation of remuneration for labour and the cost of expenses for labour power reproduction.

The state, in accordance with the goals and objectives of employment regulation, selects various methods and means of influencing the labour market (Table 3.3).

The use of indirect methods of labour market regulation by the state plays a big role in formation of sectoral and territorial employment structures. For example, financial incentives and public capital funds create favorable conditions for development of individual industries or regions. As a result, employment in these industries and territories is also stimulated.

Regulation of the labour market by the state is carried out in short and long term. The short-term measures include all kinds of labour incentives:

– an increase in public spending on financing public service works;

– subsidizing new jobs;

– maintaining self-employment.

– Long-term measures include increasing the flexibility of the labour market through implementation of measures for retraining, re-qualification of employees, development of all types of information bases of the state and non-state employment services.

Table 3.3

Methods of labour market regulation

Criteria	Methods of labour market regulation
1. Regulation tasks	1. The most acceptable ratio of supply and demand for labour services 2. Reducing unemployment 3. Efficient use of labour resources
2. Regulation directions	1. The method of direct influence on the labour market 2. The method of mediocre influence on the labour market
3. Regulation extent	1. International labour market 2. National labour market 3. Regional labour market
4. Regulation objects	1. Employment 2. Unemployment 3. Wages 4. The ratio of supply and demand for labour services 4. Labour market flexibility
5. Regulation subjects	1. Employers 2. Trade unions 3. State institutions
6. Regulation sources	1. Taxes of employers or employees 2. State budget 3. Various public funds
7. Regulation level	1. Legislation methods 2. Incentive methods 3. Limiting methods 4. Control methods 5. Organizational and institutional methods
8. Regulation features	1. Psychological methods 2. Social methods 3. Financial methods 4. Methods, organizing prices

The role of the state has now undergone significant changes, it now consists mainly in the legal regulation of relations between employers and employees, in intermediary functions, including in distribution and redistribution of labour power during employment through the state employment services and self-employment of the population. In addition, the state manages the public sector of the national economy, which has a tangible impact on the lives and wellbeing of people, makes decisions related to public spending, taxes and various rules of doing business. In particular, the governing functions of the state include:

– *maintaining competition*, since the pricing system ensures efficient allocation of resources only if there is competition in the market for commodities and services;

– *ensuring the supply of commodities, which is not carried out in the right proportions by the private sector*, since supply of the population with water, gas, electricity cannot be guaranteed in the transfer of natural monopolies completely to private hands;

– *solving problems generated by external factors*, since the private sector does not fully take into account the harmful effects of its production on other members of society, on future generations;

– *protection of the rights of sellers and buyers;*

– *distribution of income and wealth* in order to ensure the maximum achievable level of welfare of society;

– *assistance in achieving macroeconomic goals*, in particular, government intervention in a market economy in the event that the functioning of the market can lead to high level of unemployment, unacceptable level of inflation, etc.

State and legal regulation of labour relations is associated with establishment of national labour standards that are mandatory for widespread use, the resolution of labour disputes, state control and supervision over the compliance with labour legislation, establishment of procedures and limits for legal responsibility.

The liberal type of labour market regulation is characterized by the use of a largely passive policy. This type of labour market regulation is carried out using the following measures:

– establishing a mandatory minimum wage;

– payment of unemployment benefits;

– flexible procedures for hiring and dismissing employees;

– providing information that creates a high territorial and interfirm labour mobility, etc.

As practice shows, the liberal type of labour market regulation ensures a fairly effective distribution of those employed in the economy, but at the same time a high level of unemployment remains.

Government revenues are also considered an important means of regulating the labour market. The greater the government revenue, the more programs will be directed to the labour market, as well as funds will be allocated to state-owned enterprises to create new jobs. However, the ratio of supply and demand for labour services should not lead to excessive wage increases. In many states with a socially oriented economy, a policy of proportionate remuneration is pursued. The essence of this policy is equal pay for equal work, regardless of profitability of enterprises.

Another means of regulating the labour market is government spending on social benefits and social support for low-income groups. The state in this sector can influence the average wage in sectors of the economy and territories through the organization of additional jobs in the regions with excessive labour power or wage increases.

Social protection of the state also provides for the adoption of necessary measures for guaranteed employment of non-competitive citizens in the labour market. According to the "Regulations on the procedure for reserving workplaces for employment of persons in need of social protection and having difficulty in finding a job", this category of citizens includes:

– single parents with many children, having children under the age of fourteen and disabled children;

– youth graduated from education institutions;

– persons dismissed from military service;

– disabled;

– persons of pre-retirement age who are registered in district (city) employment assistance centers as job seekers;

– persons released from institutions that execute punishment or who have been subjected to compulsory medical measures by a court decision.

Reserving a minimum number of jobs for persons with disabilities is obligatory for enterprises with an average number of 34 people, and for other persons in need of social protection and having difficulties in finding work for enterprises with an average number of 100 people and above. At the same time, a minimum number of workplaces in the amount of at least 3 percent of the number of employees is established and reserved for employment of persons with disabilities. The total number of reserved workplaces in accordance with the decision of the state local authority cannot be established over 7 percent of the average number of employees of the organization.

For persons in need of social protection and experiencing difficulties in finding a job, the jobs created should provide appropriate working conditions, namely:

– for single and large families who have children under the age of fourteen and children with disabilities – jobs with flexible work schedule, allowing to combine the execution of responsibilities for upbringing children and labour responsibilities;

– for disabled people – workplaces certified for working conditions and allowing the employee to freely perform labour operations, taking into account the state of health and established counter-indications to labour activity;

– for young people who graduated from education institutions – workplaces corresponding to their professional training;

– for persons dismissed from military service - workplaces, corresponding to their professional training;

– for persons of pre-retirement age who are registered in district (city) employment assistance centers as job seekers – jobs that do not require special qualification;

– for persons released from institutions that carry out the punishment or who have been subjected to compulsory medical measures by court order – workplaces taking into account their professional training, and for those who do not have a particular profession, qualification – any job, not requiring special qualifications.

Table 3.4.

Features of the main groups of labour market regulation methods

Group of methods	Basic features
1	2
1. Normative and legal	– basis – laws, decrees, development programs, instructions; – formation of the legal environment to achieve the main goals and objectives (correspondence of supply and demand for labour power) – increase in the level of employment of the population; – creation of conditions for state influence on the labour market using administrative methods
2. Organizational and administrative (administrative)	– compliance with the norms in force at a certain level of management and regulation; – close interaction with economic methods
3. Economic	– provision of favorable conditions for functioning and labour market development; – creation of economic incentives for the main subjects of the labour market; – the main instruments of influence: monetary policy, tax policy, public investment, state order, wages
4. Socio-psychological	– taking into account the interests of an individual, various social groups of the population

Classic model of the labour market

Economic theory: full employment is considered the norm of a market economy, the best policy is non-interference of the state in the economy

– due to the fact that supply itself causes demand, total production is impossible

– at full employment denial of opportunity, insufficient level of costs for the purchase of manufactured products

– if the level of general expenses is insufficient, such mechanisms as price and salary regulation are activated, resulting in a decrease in total income will not lead to a decrease in production, employment and real income

– competition in the labour market excludes unemployment, every person who agrees to work for the wage rate, determined by the labour market, easily finds work

– such market regulating mechanisms as changes in interest rate ratios, price flexibility and salaries are able to ensure full employment

– assistance to the economy from the state is excessive, even harmful

Fig. 3.9. Classic model of the labour market

In his book, the scientist first used the category of "struggle for existence", which was then used by biologist Ch. Darwin in his "On the Origin of Species", and is now one of the main categories of the theory of evolutionary economics.

D. Ricardo, exploring the basic principles of the cost theory, revealed the following[1]:

The exchange value depends not only on the quantity and quality of labour, but also on the rarity of the commodities;

Speaking of natural and market prices, Ricardo wrote, "In making labour the foundation of the value of commodities, and the comparative quantity of labour which is necessary to their production, the rule which determines the respective quantities of commodities which shall be given in exchange for each other, we must not be supposed to deny the accidental and temporary deviations of the actual or market price of commodities from this, their primary and natural price";

For Ricardo, the value of these commodities, in exchange, was the amount of labour embodied in them. This was the current labour required to produce them, plus the past labour embodied in tools, building, implements, and equipment;

The exchange value of commodities does not depend on changes in the level of wages for workers, only the ratio between wages and profits in the value of the product changes;

An increase in the value of labour (wages) is impossible without a corresponding drop in profits;

Money as commodities while reducing its value necessitates a rise in wages, which, in turn, will lead to an increase in prices for commodities;

Money as a universal means of exchange between all civilized countries "is distributed among them in proportions that change with each improvement in trade and machinery, with each increase in the difficulty of obtaining food and other vital items for a growing population";

The level of the exchange value of commodities is inversely proportional to the use of fixed capital in their production, that is, with the growth of fixed capital, the exchange value will fall.

Provisions forwarded by A. Pigou to substantiate the process of labour market regulation are of great methodological significance. According to the scientist, there is imperfect competition in the labour market, which leads to an increase in the price of labour. Therefore, it is more profitable for the employer to assign high wages to qualified specialists who are capable of increasing the cost of manufactured commodities. The employer, due to highly efficient labour, will be able to cut staff. The

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[1] Ricardo D. Works and Correspondence. – M., 1961. - P. 25-30.

point of view of A. Pigou that a general decrease in wages may stimulate employment deserves attention[1].

Representatives of the neoclassical direction of economic theory, like their predecessors, deny the existence of mechanisms for regulating the labour market (Fig. 3.10). But they believe that it is possible to regulate unemployment, and sometimes the relationship between demand and supply of labour. According to them, wages are the main means of regulating the labour market. In the regulation of the labour market, such neoclassical recommendations are widely used as the distribution of wage rates and working hours among several workers, the use of reduced working time, and others. Such measures can be allowed while maintaining unfavorable conjuncture to reduce unemployment level.

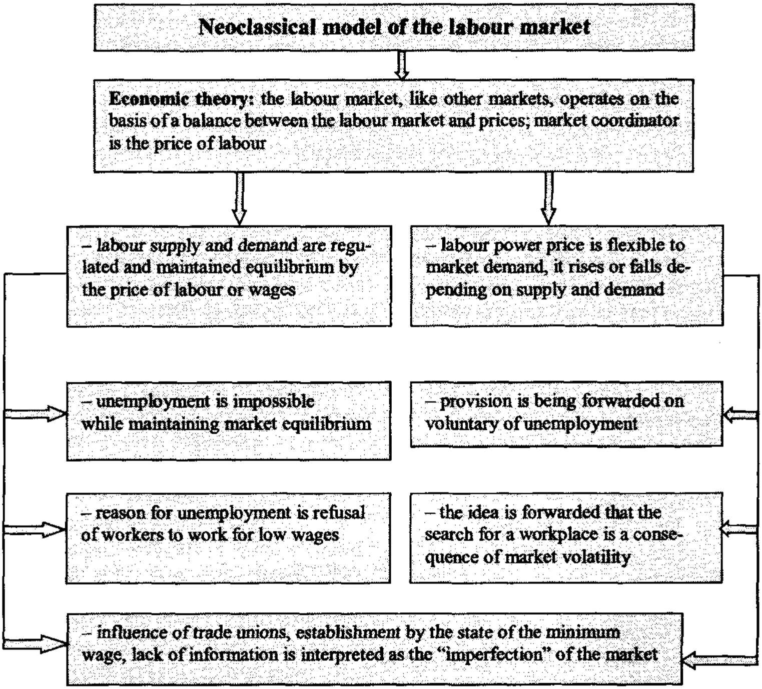

Fig. 3.10. Neoclassical model of the labour market

[1] Pigou A. The Economics of Welfare. – T. 2. – M.: Progress, 1985. – p. 240.

One of the approaches to problems of labour market regulation are monetarist and Keynesian theories (table 3.5).

Table 3.5

Main provisions of the Keynesian labour market models and monetarists

Keynesian labour market model	**Monetarist labour market model**
– in the economy there is no mechanism that guarantees full employment; – employment is not a regularity, but a randomnicity; – there is no possibility of influencing on the labour market by changing the flexibility of the interest rate and the ratio of prices and wages; – the price of labour power is strictly defined and practically does not change downwards; the price of labour power cannot be a means of coordinating the labour market; – the role of labour market regulation belongs to the state, which, by increasing or decreasing total demand and supply, can eliminate the disparity in the labour market; – the demand for labour power is not brought in line with the change in the market price of labour, but with total demand or production volume; – unemployment is forced, but it is not denied that part of unemployment is voluntary	– the market economy in its tendencies tends to stability, self-regulation, but if there is a discrepancy, a collapse of the market economy, they, first of all, appear due to outside interference; – state intervention leads to discord, the normal continuation of development of the economy, therefore it is necessary to reduce government mechanisms to the maximum, an exception to this is regulation through taxes and the budget; – establishment by the state of a minimum wage, strong trade unions, lack of information about vacancies reinforces the disparity in the market and are considered to be negative factors of the labour market; – appropriate regulation of the labour market at the discount rate of the Central Bank and other similar mechanisms

5. Statistical	– identification of problematic issues in the analysis of the labour market at the regional and national levels; – liquidation (minimization) of negative consequences in the labour market in close cooperation with other groups of methods; – use as auxiliary methods for the analysis of the labour market (statistical observation, correlation, regression, factor analysis)
6. Contractual	– application in social and labour sphere; – assistance in conducting consultations, negotiations, signing agreements between social partners at different levels of social and labour relations
7. Participatory	– introduction of new forms and methods of participation of employees in production management
8. Information	– impact on conduction of labour market actors by informing them about the relationship between supply and demand, labour cost, vacancies, conjuncture of the labour market

Employment in reserved workplaces for persons in need of social protection and experiencing difficulties in finding a job is made by the organization in the direction of the district (city) Employment Promotion Center or independently.

Summarizing the above, and taking into account the specifics of the regulation of the labour market is differentiated according to the main methods of regulation based on the selected criteria.

Groups of methods have both direct and indirect influence and find their direct application depending on the situation occurring in the labour market at a particular moment.

Solution of current problems in the labour market in modern conditions is associated with integrated application of main measures implemented through the interaction of a set of groups of regulation methods; however, the choice of these groups depends on changes in the structure of the labour market, the dynamics of its development, as well as on the national socio-economic situation.

3.5. Labour market models

The model refers to the scheme of construction or description of the phenomenon, process. Analysis of the nature of supply and demand in the labour market allows to describe several models of interaction between sellers and buyers of labour. Some of them reflect the dependence of labour market relations on the degree of competition prevailing in the labour market, others reflect the national characteristics of labour markets. Among the first are purely competitive labour market, monopsony labour market (monopolies of a single buyer), models taking into account the actions of trade unions, model of bilateral monopolies.

Labour market models may be different. Depending on the degree of competition in the labour market, a model of a purely competitive market, a model of monopsony, a model taking into account the action of trade unions, and a bilateral monopoly are distinguished.

A purely competitive market is characterized by the following features: a large number of firms compete with each other in hiring a particular type of labour; numerous skilled workers with the same qualifications, independently of each other, offer this type of labour services; neither firms nor workers exercise control over the market rate of wages.

The model of monopsony, i.e. the monopoly of one buyer, reflects the situation when the employer has the monopoly power of buying (hiring).

Monopsony is a market situation where a single buyer interacts with many sellers, dictating to them the price and volume of sales.

The model of the labour market, taking into account the action of trade unions, that is, on the labour market, trade unions represent the interests of workers and negotiate with employers on their behalf.

The model of bilateral monopoly is characteristic for conditions of a monoponic market, in which there are strong industrial trade unions. In other words, when a monopsony model is combined with a model taking into account the actions of trade unions, there is a bilateral monopoly. The trade union is a monopoly seller of labour and controls the supply of labour and can influence wage rates. He is opposed to the monopsony employer, who can also affect wages by changing employment.

American model of labour market is based on maintaining competitive state of the economy, preventing its high centralization, encourages the active role of entrepreneurs, the life orientation of workers on individual success, on making money. The American employment policy is characterized by a focus on high territorial mobility of workers between enterprises, on completed vocational training in education institutions, on recognition of the vocational qualification level of workers when a company changes, on striving to reduce the costs of an enterprise for on-the-job training to a minimum. Wages at such enterprises are established by contracts, collective agreements, taking into account the demand and supply of labour power, the classification of works according to complexity. Organization of trade unions is built on a professional basis. Unemployment insurance is provided on a federal staff basis. Enterprises and workers pay contributions separately to state unemployment insurance funds and the Federal Fund.

Japanese model. A distinctive feature of the Japanese model of the labour market is a "system of life-long employment", which provides guarantees for the entire period of labour activity of workers. These guarantees are the result of the established practice of relations between hired workers and entrepreneurs, owners of capital. They are not legally formalized, but are supported by trade unions. The Japanese model is characterized by a paternalistic attitude of company managers to personnel, attention to non-production life of workers and interest of the latter to all aspects of the enterprise's activities.

Swedish model is based on an active employment policy pursued by the state. The state pays great attention to improving the competitiveness of the labour power through professional training, job creation in the public sector and in private companies through subsidies. The employment policy is closely linked with general economic measures, in particular, with restrictive tax policies, the "salary policy" in wages, support for weak groups of the population, industries and regions.

In economics, the theoretical basis of the labour market theory was substantiated by representatives of the classical school. Founders of this direction A. Smith and D. Ricardo in their works from a theoretical point of view substantiated the need for non-interference of the state in activities of the labour market on the example of free trade and entrepreneurship, private entrepreneurship of the state. They called this policy "ideal for all times and for all".

This theory was subsequently supported and developed by eminent scientists J. Bentham and J. B. Say. Representatives of this school believed that the market, free from economic laws, competition, any interference, itself regulates economic activity, ensures the receipt of fair profits and thereby develops the economy.

According to representatives of this school, the institution of households will sooner or later be destroyed by the industrial mechanism of the proposal. The essence of this mechanism is aimed at balancing, in order to prevent redundancy or lack of labour power, as well as an excess of money supply or its insufficiency, a rise in prices above the normalized level. And intervention of the state in the economy will cause dependency, reduce the employer's potential, open the way for corruption and bureaucracy. As a result, the development of productive powers will stop (Fig. 3.9).

In the classical theory it was believed that only two forms of unemployment are possible: *frictional*, that is, associated with costs of a certain amount of time searching for work. It arises when looking for a job after being dismissed, with a voluntary change of job, with temporary seasonal work and with the first job search by young people and *voluntary unemployment*, i.e. conscious refusal of a person to work.

Under pressure from supporters of free trade, directions in science and practice of representatives of the classical school of the 19th century began to reform the customs system: abolition and reduction of customs duties, introduction of sliding scales. But by the end of this century, free-trade was established only in Great Britain. This empire turned into a "world workshop" and refused to interfere of the state in the economy, switched to "free trade".

And in some other states, tariffs were slightly reduced, but government regulation of the market continued. In Germany, Japan, and Russia, with the development of industry, construction was being expanded at the expense of the state treasury, issuing profitable orders, allocating subsidies, and in the United States, allocating public lands to private companies.

In fact, in Great Britain, the followers of free trading themselves demanded from the state to intervene in protecting the preservation of private property, ensuring compliance with the provisions of contracts, in the fight against fraud, etc. However, the laws on industrial enterprises and trade unions adopted at that time and others were aimed at regulating the economy. And in other countries, especially in Germany and the United States, the business community has never been against state intervention in foreign trade activities, called tariff regulation.

In the 20th century, the "free trade" model of D. Ricardo and J.S. Mill was improved by two Swedish economists, E. Heckscher and B. Ohlin. If in the classical model only the changing factor was labour power cost and full specialization, in the new, second model, along with these criteria, differences in provision of production factors (land, labour and capital) are provided.

Representatives of the classical school on employment and the labour market, in particular T. Malthus, notes that if population growth is not delayed by any reasons, then the population will double every quarter of a century, and, consequently, increase in geometric progress. Due to limited resources, this inevitably leads to poverty, famine and social unrest[1].

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[1] Malthus T. An Essay on the Principle of Population. In 2 volumes. – M.: Economics, - T. 2: Anthology of economic thought, 1993. – P. 5-13.

Monetarists explain the peculiarities of employment due to unanticipated inflation, since this situation changes the natural level of unemployment. Important methodological value is conclusion of M. Friedman on the existence of a natural level of unemployment. This level is strictly limited to working conditions and cannot be changed by government policy. If the state plans to reduce the natural level of unemployment with traditional methods of increasing demand, budget and credit, such measures will have a short-term effect and will cause price increases.

From the point of view of monetarists, the higher the level of inflation, the more the participants in reproduction will take into account the increase in prices, and will strive to eliminate this by special provisions in labour agreements and contracts. This means that the incentive efficiency of inflation based on Keynesians will decrease over time. The government will have to rely on additional inflation jumps to accelerate production growth. And this will lead to a large deficit of financing from the budget.

Theoretical approaches to problems listed above within the framework of the concept of the economic theory of supply (the Laffer curve) also deserve attention.

Theorists of the proposal proceed from the fact that changes in the level and structure of taxes or government transfers can affect the process of distribution and use of production factors at the micro level by influencing the supply of capital (the choice of individual economic actors between consumption and savings, between current and future consumption) and labour supply (the choice of individual economic actors between labour and leisure). At the same time, it is taken into account that with simultaneous distorting influence of taxes on factor income, which determine the supply of factors of production, a distorting effect on factor costs, which determine the demand for production factors on the part of corporations, occurs. A so-called "tax wedge" arises, reducing which, as well as facilitating competition, can stimulate total supply and thus solve a number of macroeconomic problems, the main ones of which are stagflation and a slowdown in economic growth.

The reasons for the increase in unemployment, from the point of view of representatives of the economic theory of supply, are:

– increase in the payroll tax;

– payment of unemployment benefits or the provision of other state transfers that weaken the incentives to work with the employed population (as compared to leisure) and reduce the aspirations of the unemployed to find work.

The cause of inflation can become:

– high taxes on factors of production, reducing the effectiveness of their use and distribution among competing areas; high corporate income tax, which reduces the intensity of capital accumulation in the private sector;

– state actions causing unexpected fluctuations due to production constraints (financial sanctions, requirements to invest in sewage treatment plants, etc.).

In Keynesian theory, special attention is paid to issues of state regulation of the economy, regulation of the labour market as part of the employment system. J.M. Keynes believes that achievement of full employment is the main task of state regulation. He first forwarded the idea of involuntary unemployment. In his opinion, in a developed market economy with an increase in national wealth, the majority of the population does not fully use the income received for consumption; part of it accumulates. In order for savings to turn into investments, a certain level of effective demand, consumption and investment is needed[1].

Thus, Keynesians, pointing to the shortcomings of self-regulating labour market, as part of the economy, in order to achieve full employment, justified the need to exert economic influence of the state.

Labour market mechanisms in a generalized form are considered models of the labour market. In this case, the model is the structure of the event, process.

An analysis of the characteristics of supply and demand in the labour market makes it possible to identify a number of models of relations between sellers and buyers in this market. One of them reflects the level of competition in labour market relations. With this approach, labour markets of perfect competition are distinguished by a non-competitive labour market, in which the buyer or seller of labour has a monopoly advantage.

Perfect competition in the labour resources market assumes the following features:

– presentation of demand for a certain type of labour (ie, for workers of a particular qualification and profession) by a sufficiently large number of competing firms;

– the offer of their work by all employees of the same qualifications and profession (that is, belonging to some non-competing group) independently of each other;

– absence of any one association from both the purchasers of labour services (monopsony) and their sellers (monopoly);

– the objective impossibility of agents of demand (firms) and agents of supply (workers) to establish control over the market price of labour, i.e. to dictate the level of wages.

This is the demand and supply of labour in the market of perfect competition in relation to a single firm (Fig. 3.11).

[1] Keynes J.M. The General Theory of Employment, Interest and Money. – M., 1978. – p. 68.

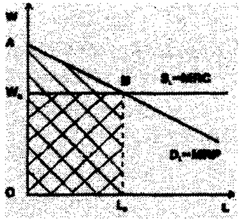


Fig. 3.11. Labour supply and demand for it for an individual company in conditions of perfect competition

The graph shows that with perfect competition:

firstly, the supply of labour is absolutely elastic (the straight S_L is parallel to the x-axis);

secondly, marginal labour resource costs (MRC) are constant and equal to the price of labour, i.e. wage rate (W_0).

The reasons for this type of graph offer are obvious: the firm, a perfect competitor, is so small that changes in labour demand on its part have no effect on the market. No matter how much it hired workers, it will have to pay them the same wages already established in the market and, therefore, bear the same marginal costs with each new recruitment, i.e.

$$S_L = MRC = W_0.$$

Under conditions of perfect competition, the action of the classical laws of market self-regulation is directly manifested. At the point of equilibrium, both the excess and the shortage of labour power are equally absent (the demand is exactly equal to the supply). And this means that there is neither unemployment with its negative social consequences, nor a shortage of workers, which lead to a decrease in labour motivation, a reduction in the demands of firms for personnel, etc.

The balance is sustainable: feedbacks quench random deviations from it. Thus, an increase in the price of labour (on the graph to Wj) leads to an increase in supply (to the magnitude Lg) and a reduction in the demand for labour (to the magnitude Ld). There is an excess of labour supply (Ls> Ld). Part of those who want to get a job does not find vacancies, competition begins, during which workers agree to lower wages, just to be hired. Gradually, the price of labour is reduced to the initial level.

We emphasize that equilibrium is achieved without any external (for example, state) interventions. Each firm hires exactly as many workers as it needs to maximize profits, and therefore is not interested in breaking it.

Under conditions of perfect competition, a firm will be able to sell its additional products without affecting the market price. At the same time, the largest income from hiring an additional employee is determined by the following formula:

$$MRP = MP \cdot P,$$

where *MRP* is the largest income from labour; *MP* is the increase in total income for the use of an additional unit of labour; P is the market price of products.

The firm's decision to hire an additional employee is made on the basis of the difference between the largest income from products and the highest costs (wages – *W*) for hiring an additional employee. Based on this, the basic rules for hiring an additional employee are formed:

– if $MRP > W$, the firm hires an additional employee;

– if $MRP < W$, the firm does not hire workers, on the contrary, it takes measures to reduce their number;

– if $MRP = W$, the firm receives the highest income.

However, for the modern labour market, monopsony is characterized by imperfect competition and monopsony.

Monopsony in the labour market means that it has a single labour resources buyer. A single employer is opposed here by numerous independent hired workers.

The main features of monopsony should include:

– concentration of the main part (or even all) employed in the sphere of a certain type of labour in one firm;

– complete (or almost complete) lack of mobility of workers who do not have a real opportunity to change their employer when selling their labour;

– establishing by the monopsonist (sole employer) control over the price of labour in the interests of maximizing profits.

It is possible to illustrate the monopsony situation on the labour market with the help of conditional data (Table 3.6).

Table 3.6

Marginal resource cost of labour (MRCL) in monopsony

Number of employed workers (*L*)	Wage rate (*W*)	Total resource cost of labour (*TRCL*)	Marginal resource cost of labour (*MRCL*)
(1)	(2)	(3) = (1) + (2)	(4)
1	2	2	3
2	4	8	6
3	6	18	10
4	8	32	14

The main thing that distinguishes the situation in monopsony from perfect competition is the growth of wage rates when hiring an increasing number of employees. In other words, if for the company, of a perfect competitor, the labour supply is absolutely elastic and the company can hire any number of employees it needs at the same rate, then with a monopsony, the supply schedule has an ordinary form that increases with price growth. And this is understandable: a monopsonist is in fact a firm-industry. An increase in its demand for labour automatically means an increase in industry-wide demand. To attract additional workers, they have to poach from other industries. The ratio of supply and demand in the economy is changing, labour prices are rising.

Monopsony in the labour market is also expressed in the fact that for a monopsonist firm, the marginal costs associated with payment for labour resources grow faster than wages (comparison in columns 4 and 2 of table 3.5). Indeed, let the company decide to hire the third in addition to the two workers (moving from the second to the third row in the table). What will be its additional costs? First, it will have to pay salary to the third worker (6 units), i.e. in this part the marginal costs will increase in accordance with the growth of the wage rate. But this additional costs are not limited. Secondly, the firm will have to increase the wage rate of two already working from 4 units to the same level of 6 units. As a result, wages will grow only from 4 to 6 units, but marginal costs will increase from the initial level of 6 units to 10 units (really: $6 + [2 \cdot (6 - 4)] = 10$).

This situation is shown in fig. 3.12.

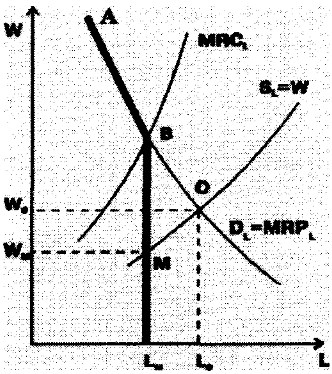


Fig. 3.12. Labour supply and demand for it in conditions of monopsony

The marginal cost curve (MRC_L) is above the wage rate curve for which labour is offered (S_L). In this case, the demand curve for labour (D_L), which coincides for the firm with the curve of the monetary marginal product of labour (*MRP_J*, will intersect with the marginal cost curve for labour (*MPC_L*) at point B.

Consequently, according to the rule MRC = MRP, the firm will hire in this case L_M people. Hiring more people for a monopsonist is not profitable. Therefore, the demand for labour on the part of the monopsonist is terminated at this level and takes the form of a broken curve line (*ABLM*), selected on the graph with the help of thickening. And since, in accordance with the S_L supply curve, such a number of workers can be hired with payment of their labour at W_M rate, that is what the monopsonist will pay them.

Let us draw attention to the fact that *M* point does not coincide with the point of intersection of the supply and demand graphs *O*. That is, the equilibrium is established at a different point than with perfect competition. Compared to a firm operating in a free competitive market, a monopsonist gets less labour ($L_M < Lo$), while paying lower wages to employees ($W_M < W_0$). In other words, elimination of employer competition by establishing the dictates of a monopsonist firm naturally leads to a general decline in employment (and hence production) and a decrease in the standard of living of the population.

In such conditions, workers have to offer their labour to a single employer and agree to a payment for labour determined by him.

3.6. THE ROLE OF TRADE UNIONS IN THE LABOUR MARKET

Trade unions play an important role in the labour market. Trade unions are an association of workers that has the right to conduct negotiations with an entrepreneur on behalf of and on the instructions of its members.

The goal of the trade union is to maximize wages of its members, to improve conditions for their labour activities and to receive additional payments and benefits. In a competitive market, trade unions act in two ways: they seek either to increase the demand for labour or to limit the supply of labour.

Increasing the demand for labour is achieved by increasing the demand for a product (advertising, using the political lobby). The increase in labour demand also contributes to the growth of efficiency and quality of work.

In the labour market, employees do not always have a similar position with employers. Because employers are proprietary, own the means of production. They have more opportunities to provide economic, sometimes political influence on socio-economic relations. Therefore, it is natural that employees want to compete with employers with the help of advocates of their socio-economic interests, trade unions.

Article 16 of the Labour Code of the Republic of Uzbekistan states that every employee has the right to associate in trade unions and other organizations representing the interests of workers and labour collectives.

Trade unions, as representative bodies of workers are entitled to:

– negotiate, conclude collective contracts and agreements, take control over their implementation, make proposals to the employer for the preparation of normative acts on labour at the enterprise;

– participate in consideration of issues of socio-economic development of the enterprise;

– protect the interests of workers in labour dispute resolution bodies;

– appeal in court the decisions of the employer and persons authorized to them, if they contradict legislative or other normative acts on labour or otherwise violate the rights of workers.

In economic science, three models of the labour market with participation of trade unions are indicated:

1. *The model of stimulating the demand for labour on the part of trade unions* is aimed at increasing wages and employment with the help of increasing in demand for labour. The trade union can achieve such an increase by improving the quality of the labour product (for example, by promoting the growth of labour productivity) or by increasing the demand for finished goods. When the trade union achieves an increase in demand for labour, the demand curve shifts to the right from position D_1 to position D_2 (Fig. 3.13).

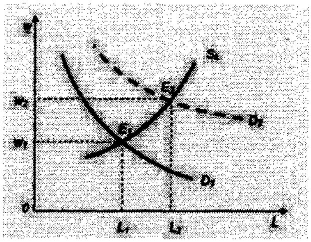


Fig. 3.13. The model of stimulating labour demand by trade unions

In this case, the two most important tasks of trade unions are solved simultaneously: employment increases (from L_1 to L_2) and wage rates increase (from W_1 to W_2).

But in practice it is difficult to achieve such a position. In this model, trade unions at the same time serve the interests of their members – hired workers and employers, as they strive to improve the quality of work.

Such a situation can be seen in the example of Japanese firms. Workers of this country create quality courses for increasing production efficiency. At their meetings, they discuss issues of improving the quality of products of their firms.

2. *The labour supply reduction model on the part of the trade unions* provides an increase in the wages of workers by reducing the supply of labour (Fig. 3.14).

This reduction can be achieved within the framework of narrow professional (shop) trade unions, which are commonly called closed. Such trade unions establish strict control over the offer of highly skilled labour by limiting the number of their members, for which they use long periods of training for the relevant profession, restrictions on the issuance of qualification licenses, high entrance fees, etc.

At the same time, trade unions seek to pursue policies aimed at reducing the overall labour supply, seeking, inter alia, the adoption of relevant laws by the state (for example, establishing mandatory retirement when a certain age is reached, restricting immigration or shortening the working week).

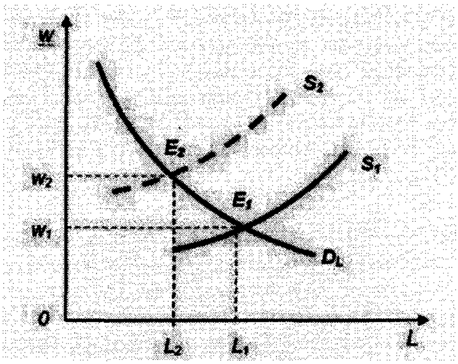


Fig. 3.14. Labour supply reduction model by trade unions

If the trade union in one way or another seeks to decrease the supply of labour, then its curve from position S_1 shifts to position S_2. The consequence of this will be a rise in the wage rate from W_1 to W_2. But at the same time employment decreases from L_1 to L_2.

3. *The model of direct impact of trade unions on wages* is focused on the increase in wages achieved under the direct pressure of the trade union. Powerful, open (i.e., available for all those who wish to join them) industry or national unions are capable of this, which, for example, under the threat of a mass strike, are able to force firms to go for salary rates that are desirable for the trade union (Fig. 3.15).

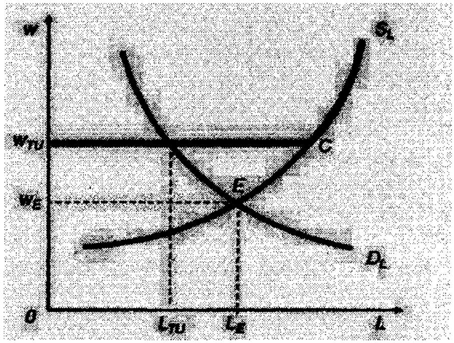


Fig. 3.15. Model of the direct impact of trade unions on wages

The graph shows that the equilibrium wage rate in a competitive labour market could make up W_E. However, the sectoral trade union seeks to establish wages at a level not lower than W_{TU}, threatening to strike otherwise. The labour supply curve S_l turns into a broken $W_{TU}CS_L$ curve (it is highlighted in the graph by thickening). In accordance with its demand curve, the firm will respond to a rise in the wage rate from W_E to W_{TU} by reducing the number of employed workers from L_E to L_{TU}.

An analysis of the models considered shows that the second and third models of trade union behavior in the labour market provide for an increase in wages by reducing employment. So, we can conclude that the results of the struggle of trade unions for increasing wage labour are contradictory, since the increase itself is associated with a decrease in the number of workers. In other words, rampant wage increases may generate unemployment.

A bilateral monopoly in the labour market is a case where the employer is the only labour buyer (monopsonist), and the seller of labour has monopoly power (for example, unionized workers).

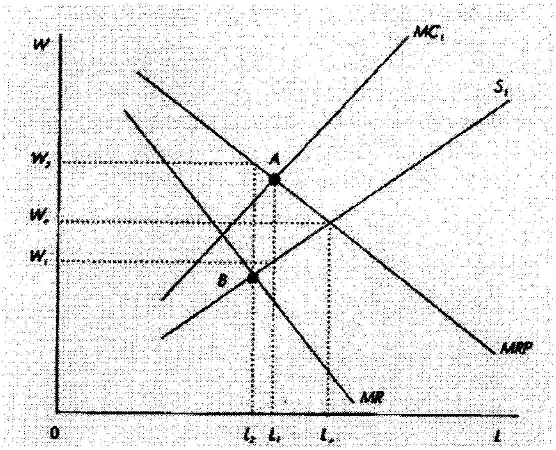


Fig. 3.16. Bilateral monopoly in the labour market

A trade union can neutralize the monopoly power of a monopsonist employer by offering the labour of its members at a single, defined wage and creating a plot of perfectly elastic labour supply. In this case, there will be an effect similar to that of the minimum wage in the monopsonistic labour market.

In fig. 3.16 the trade union sets the wage at the WU level, then the labour supply curve takes the form of a *WUCSL*, and intersecting it with the MRP curve will determine the employment level *LU*, i.e., the monopoly actions of the trade union allowed to increase the level of employment and wages versus corresponding levels of monopsone balance (*LM, WM*). As in case of the minimum wage, the positive influence of trade unions in determining their wages in the monopsonistic market is limited by the *WM lt* interval; Wmin *lt*; *W**, where *W* = MCL = MRP* is a salary equal to marginal costs when they are equal to the marginal money product of labour before the trade union action.

But in practice, usually, the wage rate is set between the demands of the two parties. The struggle of the two parties for equality in the labour market will be closer to the position of the aforementioned market of perfect competition. This means that the labour market takes into account the interests of both parties, the employee and the employer.

3.7. Labour markets and features of their functioning in foreign countries

Labour markets of developed countries of the world have peculiar differences in formation and development of social and labour relations.

In the most developed country, the United States of America, employment legislation is decentralized, each state has its own laws in this sphere.

The American model is characterized by a tough attitude towards workers, who can be dismissed if necessary to reduce the volume of production or the labour used, while the duration of the working time is not fixed. Government regulation of the United States labour market is designed to prevent unemployment from rising to a level threatening serious social upheavals. In addition, it should mitigate the effects of the mass of other disproportions of a structural nature. Thus, chronic unemployment is due to the large number of unfilled vacancies, the lack of a number of specialists, including the newest professions, generated by needs of scientific and technological progress. Under these conditions, especially at the new stage of the scientific and technological revolution, professional training and retraining of the labour power, development of the education system is another important function of the state in the sphere of labour. The lack of qualified personnel or their irrational use affects the economy, reduces the efficiency of social production, worsens the position of American capital in international markets. Problems of employment and unemployment, development of human resources and labour relations is one of the priorities of the U.S. social and economic policy. State regulation of the labour market includes four main areas: facilitating the hiring of labour power; stimulating employment growth and increasing the number of jobs; introduction of programs aimed at training and retraining the labour power; social unemployment insurance.

The U.S. national market is characterized by a relatively low unemployment rate (5-6%), inactive state policy on the labour market (30% of the unemployed receive unemployment benefits, these benefits are paid within 26 weeks), the functioning of a flexible hiring system and dismissal of workers and internal mobility of workers.

Unemployment insurance is carried out according to the principle of federation, states, enterprises and employees pay individual contributions to federal and state unemployment funds. Fixed assets of these funds are formed at the expense of funds paid by entrepreneurs to hired employees as a percentage. And this order serves as a stimulus to the territorial mobility of labour power.

Employment inherent in a post-industrial society is formed on the labour market. This is clearly seen in the fact that with a decrease in the number of employed workers in industry, agriculture and services, their number grows. Thus, in recent years, in the U.S. industry, the total share of employment in the country has decreased from 32% to 19.6. And the share of workers in agriculture is only 1.9% of the total number of people employed in the country (Fig. 3.17).

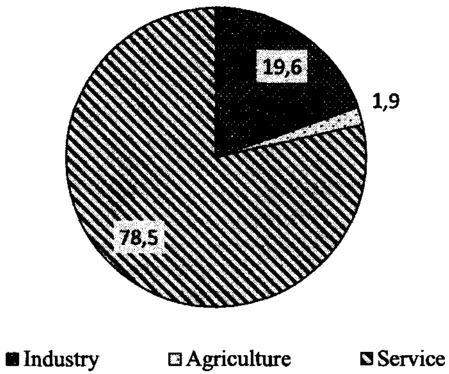


Fig. 3.17. Employed labour resources in U.S. national economy sectors (% of total employment in the country)

Currently, the most important feature of the United States labour market is the high level of employment in manufacturing and services with a high volume of science. These changes in the national economy are associated with qualitative indicators of the level of education. Today, the average length of education for unorganized youth entering the labour market is 13 years. This is 1 year longer than the duration in the secondary school.

An important means of regulating the labour market by the state is the minimum wage level. The minimum wage rate for each working hour is approved by the United States Congress. Currently it amounts to 5.15 dollars. This minimum wage amounts to 39% of the average wage and 120% of the subsistence minimum.

Another means of state regulation of the labour market is creation of a data bank of jobs. They began to be created in the 1960s of the 20th century on the basis of state agencies for the promotion of labour resources recruitment. Currently, there are 300 such banks of jobs covering the whole country. In addition to these private job banks, there is a state-owned nationwide job bank for specialists in the country.

In the United States, at the present time, almost a third of workers engaged in labour activities are covered by non-traditional, flexible forms of employment (Table 3.6).

Table 3.6

The number of workers covered in the United States by nontraditional, flexible forms of employment*

Nontraditional, flexible forms of employment	Total number of employed, million people	Share of employed in the total number in the country, %
Temporarily employed	5,6	4,3
Employed under personal employment contracts	8,2	6,3
Working on call	2,0	1,5
Leased workers	1,2	0,9
Shift workers	22,0	17,0
Part-time workers	7,0	5,2
Total	46,0	35,2

* *Source*: Supyan V. Labour market in the United States: New trends and challenges in the 21st century // Problems of management theory and practice. – 2011. – No. 3. – P. 101.

Such form of labour organization allows employers, in addition to reducing the cost on social benefits and production facilities to enhance competitiveness in the labour market. Hired workers, first of all, women, are interested in engaging in labour activity in the form mentioned above. After all, this form, along with fulfillment of labour functions, helps them in solving vital issues.

Another peculiarity of the labour market in developed countries is duration of working time. According to the ILO, the average annual working time in the United States is 1966 hours. This is two weeks a year more than in Japan (in Japan, the average annual duration of working time is 1889 hours).

The United States leads the world in labour productivity. In this country, every worker produces products for 50 thousand dollars a year. For comparison, this figure in Germany is 46 thousand, 43 thousand in Ireland, and 40 thousand dollars in Japan.

The following are inherent for models of labour markets in Western Europe:

– high level of legal protection of workers;
– development of institutions of representatives of hired workers;

– regional and sectoral tariff regulation;
– the highest minimum wage rate established by law;
– not too much difference in wages and others.

This model is widely used in Great Britain, France, Germany, Italy, Spain and other countries, taking into account their conditions.

Germany is considered a country, the economy of which is developing at a high rate. Despite this, only 20% of employed people work in industry, this figure for agriculture amounts to 2%, for construction 6%. 72% of employed workers belong to the service sector and public institutions (Fig. 3.18).

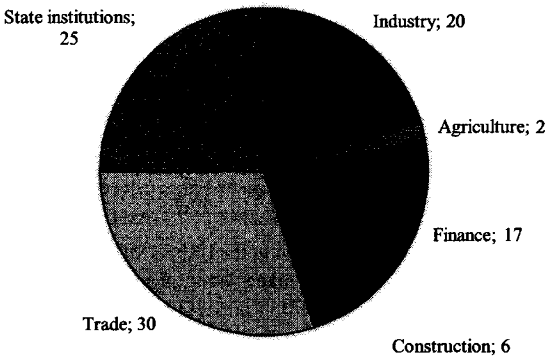


Fig. 3.18. Distribution of employed labour resources in Germany by branches of the economy (to the total number of employed in the country, %)

There are many vacancies in Germany. Most of them are accounted for wholesale and retail trade, industrial production, healthcare and public works. However, in this country, the level of social benefits is relatively high. They make up 60-85% of the average salary. Increased benefits are given to unemployed, raising minor children. Allowances are issued for 1.5 years.

High level of benefits, as well as the difficulty of dismissal from work, high taxes do not encourage the unemployed to look for work. Therefore, in 2005, Germany began to reform the labour market under the slogan "Assistance and demand!", which was aimed at state support of the active part of the population, who was looking for work for a long time.

Such unemployed were financially stimulated to find a job. But at the same time, they must fulfill the requirements of employment promotion centers. After the implementation of these reforms had started, monitoring studies were carried out for 7 years and showed that they were not justified. It was found that unemployed preferred to receive benefits, instead of finding a job.

Therefore, in 2012, the Law "On expanding opportunities for attracting to labour activities" entered into force in Germany. According to this law, state subsidies (Eingliederungszuschusc, EGZ) were allocated to attract the unemployed to labour activity. The amount of these payments and the period of their use depends on the level of labour activity of the unemployed and the requirements of the corresponding workplace. This subsidy may amount to 50% of the future salary and be issued for a period of up to 12 months.

Under certain conditions, job seekers can get a voucher from the Employment Agency (Aktivierungs- und Vermittlungsgutschein, AVGS MPAV) to pay for a private intermediary for applying for a job (Arbeitsvermittler). This is a document confirming the Agency's consent to pay for services of a private recruiter, an intermediary in employment. With this document, a job seeker can choose an employment intermediary himself who will provide him with services (specified in the document) for integration into the labour market and finding decent work for himself. Payment of services to the intermediary is carried out on a voucher after a successful employment of the owner of the voucher. At the same time, state subsidies (Zuschuss) are provided to assist employers in providing unemployed people with work. Such a subsidy is granted for providing the unemployed with work for a long time. Such a subsidy amounts to 75% of the salary of the employed person for up to two years.

In the Chinese market, the population of which is approaching 1.5 billion people, there is naturally a significant excess of the labour power supply than the demand for it. According to the statistics services of the country, currently 13 million people enter the national labour market annually. 8 million of them are young people who have graduated from education institutions. Excess labour resources, especially in rural areas, peasants make up 80% of China's total population.

Despite this, according to statistics, unemployment in China is at the level of international standards. In recent years, this figure does not exceed 5% (Fig. 3.19).

In the course of reforms aimed at liberalizing the economy of the country, in particular the regulation of the labour market, firstly, the peasants were granted free choice of profession and independent economic management. This allowed 125 million people in China, living in rural areas, to get jobs in enterprises created there. Secondly, opportunities to do business in the cities were created for able-bodied population in villages. As a result, about 60-80 million villagers moved to the cities and established their own business.

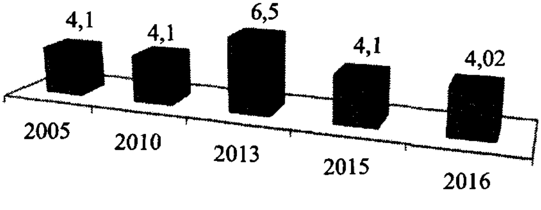


Fig. 3.19. Unemployment rate in China[1]

Despite the measures taken to ensure employment of surplus labour resources in rural areas, the labour market of the country has not yet fully ensured the compliance of the demand and supply of labour power. The possibility of increasing the income of labour resources in rural areas through migration to the cities began to create a position called *recessive employment* in the economic literature (i.e., lag output from the volume of production at the position of full employment).

In China, there are no accurate statistics on the number of "*nunmingun*", i.e., "peasant-worker". Since, firstly, they are in most cases seasonal labour resources, secondly, due to the fact that the country has a system of registrations, those who came from rural areas are not considered to be legally living in the cities. Peasant workers, are mainly working in construction, coal mining, transport, textile, footwear industry, manufacturing toys, etc.

The accelerated pace of modernization of the Chinese economy complicated the employment of peasant workers in the cities, as many of them did not meet the requirements of modern production in terms of their education and qualifications.

It should be noted that the labour market of China is divided into two sectors: state and non-state. Although these two forms of the labour market have common features, there are significant differences between them. So, in the state and non-state sectors there is no uniform system of personnel selection, their remuneration, and social protection of workers. In the state and non-state sectors there are also significant differences in demand and supply of labour resources.

For example, the authorities have taken necessary measures to reduce migration of rural population to the cities in order to facilitate the employment of former civil servants in the private sector. However, former state employees instead of finding jobs in the private sector with low wages, difficult, even dangerous working

[1] World economy. – URL: http: // www.vestifinance.ru.

conditions, lack of guarantees of social protection, preferred to receive unemployment benefits. Even in the private sector, the supply of labour resources did not respond to their demand.

Therefore, in China, with a view to increasing the employment level of the able-bodied population, reforms in the labour market are deepening. They are aimed at:

- further improvement of the market economy system, including the labour market;
- maintaining high rates of economic growth;
- regulation of the sectoral structure of production;
- priority development of labour-intensive sectors of the economy;
- government support for small and medium business;
- encouraging employers to create new jobs;
- enhancing social protection of workers and others.

Economic growth in China was ensured for a long time due to increasing labour resources and investment volume, but the level of labour productivity significantly lagged behind the level of developed countries. This was due to insufficient attention to stimulating the increase in the human capital of labour resources of the country.

As it is known, there are three sectors in terms of the level of economic development:

- the first sector is agro-industrial and extraction of natural resources;
- the second sector is industrial production;
- the third sector is the service sector.

China is currently at the stage of transition from the second sector to the third. Today, in this country, the service sector accounts for more than half of GDP.

For jobs in this sector of the economy of China, not farmers from the countryside are required, but, first of all, highly qualified specialists in the field of information and communication technologies. In this country, the number of employed exceeds 700 million people, but only 19% of them are highly qualified specialists. This is also reflected in the labour market of China, in which the demand for high human capital is higher than its supply, and in the first sector competition between labour resources is becoming tougher[1].

[1] Gao F., Kunchenko Yu.V. Main problems of the labour market in PRC // Issues of economics and administration. – 2015. – No. 2. – P. 82-84.

CHAPTER IV.

DEMAND AND SUPPLY FOR LABOUR RESOURCES IN THE LABOUR MARKET

4.1. Formation of Demand for Labour Resources

Like any other market, a labour market based on free competition obeys the laws of supply and demand, which help to preserve the balance and determine the value of labour in a competitive environment. The price of labour services is expressed in wages. According to the theory of the highest profit, the price of these services depends on the profit earned by the employer. The law of supply and demand reflects the disparity between vacant jobs and the structure of the quantity and quality of workers in the labour market. According to this law, the labour market is regulated by the market, that is, compliance is established.

Labour demand is the amount of labour that employers wish to hire in a given period of time for a certain wage rate.

The labour market hires and offers specific labour to perform certain types of work, i.e., workers move between different jobs and employers.

There are the following fundamental features of the labour market:

– plays an important role in reproduction of labour power, which meets the modern needs of high-tech production;

– ensures distribution and redistribution of labour resources, stimulates their effective use;

– increases the interest of workers in improving the qualification and mastering additional professions;

– increases the mobility of labour power, serves its inter-regional relations, contributes to increasing the level of employment, including through migration to foreign countries;

– provides market mechanisms for remuneration, which increases personnel motivation;

– accelerates the adaptation of the population to approved market relations.

In the context of deepening market reforms, the task of labour power at the present stage of development of the labour market is to achieve compliance with supply and demand. This requires the alignment of not only qualitative but also quantitative indicators.

The process of establishing compliance with the labour market under the influence of market factors is considered a market mechanism for regulating the labour market (or market self-regulation). Its main tools are the price of labour services, competition, payable demand and its relation to supply. The demand on the labour market forms the attitude of the employer to creation of new jobs for the production of goods and the provision of services for a definite time and certain wages. Demand on the labour market is associated with a variety of external factors: the economic and social situation in the country, the investment climate, the level of labour productivity, the development of small business and private entrepreneurship, etc. The demand for labour is also associated with the demand for goods produced and services performed due to this labour. The demand for labour resources in the economy can be expressed by the structure of ownership form, sectors of the economy, occupied or unoccupied jobs (Fig. 4.1).

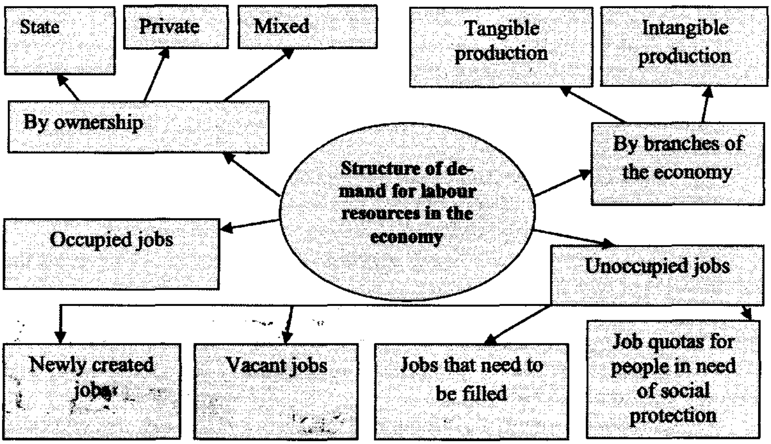


Fig. 4.1. Structure of demand for labour resources in the economy

3P The demand for labour is considered secondary, derived from the need for production in human resources and labour productivity.

The greater the need for production in creation of new finished products, the higher the demand for human resources, the labour. Here is a directly proportional dependence.

The higher the labour productivity, the lower the demand for labour, that is, the more productive the workers are, the more they produce the product and the less they need to hire labour power. This is an inverse dependence.

The main feature of the labour market is that wages are formed in this market as the main income of the overwhelming majority of the population of any country.

The law of the demand for labour says: the lower the wages, the greater the labour demand.

In this case, the demand for labour is inversely related to the value of wages, since with an increase in the wage rate, the entrepreneur will, under other equal conditions, have to reduce the use of labour.

The demand for labour power as a mechanism of the labour market as a whole speaks about the demand of a certain enterprise, organization or institution. Thus, the demand for labour resources is:

– the need for individuals at certain time (month, year), if to consider them as an element of the modern labour market;

– average annual amount of the labour market as a total labour market.

Modern economy is a mixed economy. Therefore, in addition to the private (market) sector there is also a public sector. The demand in the private sector for labour means the need for a separate enterprise and enterprises in the industry for labour resources.

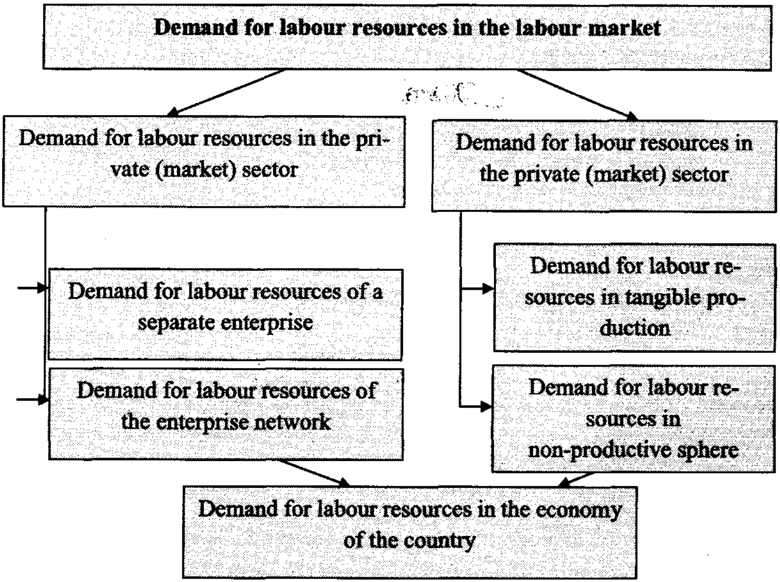


Fig. 4.2. Demand for labour resources in the labour market

The demand for human resources in the public sector consists of two main groups:

– demand for labour resources in the sphere of tangible production;

– demand for labour resources in non-productive sphere (education, healthcare, culture, public service and others) (fig. 4.2).

If the demand for labour resources is aimed at improving production efficiency and increasing the profitability of state enterprises, then in the non-production sphere, for the highest possible qualitative and full satisfaction of social needs of society.

The demand for labour resources in the state economy is the total demand for labour resources in the private and public sectors of the economy. Determining the demand for labour resources in the economy is important for development and implementation of state economic policy, ensuring employment of the economically active population and regulation of unemployment, taking into account the labour market supply. At the same time, the demand for labour resources is considered by the state as a key tool for regulating the labour market, employment and unemployment.

There are macro and micro factors that determine the volume, structure and dynamics of demand for labour resources. These macro factors include:

– economic growth;

– expanded reproduction of tangible products;

– constant increase in production volumes;

– increase in capital investments in production sector;

– increase in demand for labour resources;

– pursuing a tight monetary policy;

– implementation of structural changes in production, etc.

The microfactors that influence on labour resources demand are the following:

– demand for products manufactured at the enterprise;

– receiving a profit;

– competitiveness of the enterprise and others.

The experience of developed countries indicates the existence in the market economy of factors limiting the demand for labour resources in the macro- and microeconomic levels. These include scientific and technical progress, an increase in labour productivity, internal and inter-sectoral competition, and product costs.

The structure of demand on labour resources is very complex. Since at present in social production there are many types of labour activity, at the same time, constant modernization of production changes the demand for labour resources.

In general, based on professional qualification types, the following groups of demand for labour resources can be distinguished:

– demand for highly skilled labour resources;

– demand for averagely skilled labour resources;

– demand for low-skilled labour resources.

Enterprises need not just labour resources, but professionals who have certain skills and qualifications that meet the requirements of the technological process.

Enterprises seek to maximize their profits by meeting their labour needs. One of the conditions for maximizing profits is the equality of marginal revenue (MR) and marginal cost (MC)

$$MR = MC.$$

The marginal income of a firm from hiring an additional (ultimate) employee is the revenue from the sale of products produced by it. The demand of the enterprise for labour resources is determined by multiplying the produced price of the product (P) by the marginal revenue of labour (MRL). Thus, marginal cost is the nominal wage (cash) of workers.

In this case, the maximization of profits of the enterprise is determined by the following expression:

$$P \cdot MPL = \mathrm{W}.$$

Thus, the demand for labour is a function of the marginal product of labour:

$$LD = LD\ (MPL).$$

From the condition of profit maximization $P \cdot MPL = W$ implies that $MPL = W / P$, and since $LD = LD\ (MPL)$, it follows that

$$LD = LD\ (W / P).$$

From the above, it can be concluded that the demand for labour resources is a function of real wages. The higher the wages, the lower the demand for labour.

As wages increase, the employer has to reduce the number of employees (the demand for labour power decreases). Conversely, by reducing wages, the employer can hire additional staff (the demand for labour increases). The relationship between wages and labour demand is given in figure 4.3. Here the cost of wages (W) and the demand for labour resources (L) are interrelated.

Each point on the D_L curve represents a certain level of wages, which corresponds to the level of need for labour resources. The graph reflects the fact that raising in real wages increases the supply of labour, and in reduction, it decreases.

Demand for labour in the labour market is determined by the following factors:

1. *Wages*. With equality of other factors, the demand for labour services and its price is disproportionate.

2. *Demand for finished products*. The higher the demand for the final product of the enterprise is, the higher the demand for labour resources will be.

3. *Interchangeability of production factors*. If the cost of labour is high, it will be replaced by cheaper production factors.

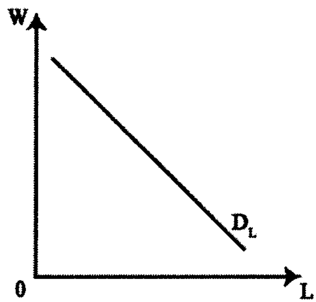


Fig. 4.3. Labour resources demand graph

4. *Level of qualification of workers*. A high level of qualification of workers means higher labour productivity. This indicates that labour costs may be replaced by less profitable factors.

5. *Marginal profitability of labour resources*. In a perfect labour market, the demand for labour grows until the maximum level of labour utilization is equal to production costs (i.e., wages).

4.2. LABOUR SUPPLY: SIMPLE AND ADVANCED MODELS

The supply of labour resources is the supply of the able-bodied population to the employer of their abilities to work in order to exchange them for the life benefits.

Labour supply is the amount of labour that can be offered to production (firms) at a certain price (wage) and at a certain time.

Offer depends on the following factors:

- demographic (what is the size of the population in a particular country);
- educational (qualification and knowledge);
- the culture of the nation;
- territorial.

Labour supply in the market is carried out by households.

The law of labour supply says: the higher the wage, the greater the value of the labour supply.

The supply on the labour market is the expressed desire and opportunity for workers to work under the conditions that are in effect on the labour market in a given period of time. In fact, labour services are offered by economically active citizens who are looking for work, and the supply, like labour demand, is influenced by factors such as demographic, psychological, wages, income levels, employment of the population and economic activity, unemployment, dissatisfaction by their work. Below is a description of the characteristics of the supply of labour resources (*table 4.1*).

Table 4.1

Labour supply characteristics

Labour supply criteria	**Citizen properties in the labour market**	
By working capacity	Able-bodied citizens	
	Disabled citizens	
By employment	Employed	
	Unemployed Employed job seekers	Dismissed
		Young people entering the labour market for the first time, graduates
		Unemployed
		Not working for a long time
By warranty, status, etc.	Professional education and skills	In narrow industries (loses its value in case of their bankruptcy)
		The employee loses warranty in diversified industries
	Labour supply	
	Competitiveness	
	Contracts	
According to the status of the workplace	The amount of the employee's salary	
	Prestigiousness of the work	
	Working conditions	
	Opportunity for career growth	

	Compliance with job qualifications and specialty of the employee	
By time of employment	Full time work day	Regular staff
		Temporary staff
	Part time work day	Regular staff
		Temporary staff
		Short-term employees hired for temporary work
By the level of involvement in labour activity	Youth of working age	
	Unemployed	Dismissed on their own
		Dismissed by the administration
	Employed but looking for a different or additional job	

The total supply of labour resources has narrow and wider values. In a narrower sense, the supply of labour resources is an adult unemployed population at working age with a desire to work. In a broad sense, it covers the entire able-bodied population, that is, all the labour resources in society.

The following affects the supply of labour resources in the labour market:

– demographic situation;
– nature and content of work;
– intensity of the release of labour resources;
– effective functioning of the system of training and retraining of personnel;
– wage system;
– conjuncture of capital markets, goods and services, etc.

Relationship between supply and demand in the labour market is the labour market *conjuncture*. There are three types of it:

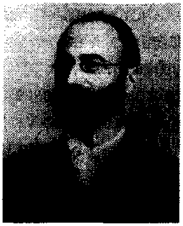
1) balanced conjuncture – accordance of the supply and demand of labour resources;

2) labour shortage conjuncture – prevalence of demand for labour resources over supply;

3) conjuncture of excess labour – excess of supply over demand.

In the labour market, each person offers three things: the time of work, the quality of work and its intensity. Their total in the labour market forms the individual labour supply.

The offer of working time by the employee is based on the utility theory. This theory was developed by Eugen Böhm Ritter von Bawerk, one of the most famous representatives of the Austrian school.



Eugen Böhm Ritter von Bawerk (1851–1914) was famous Austrian economist, scholar and statesman.
Works:
Principles of Economics. – M.: Eksmo, 2009. – 912 p.); Capital and Interest, 1884-1889 // Selected Works on Value, Interest and Capital. – M.: Eksmo, 2009. 912 p. (Anthology of economic thought)

He noted that profitability is satisfaction of a customer from the use of the product. But it is also necessary to distinguish between total, average and marginal utility. At the same time, total utility is the satisfaction of using a product or service. The average utility is equal to the ratio of the unit of total utility to the quantity of goods purchased, and marginal utility is the sum of utility obtained from the additionally purchased goods plus the total utility.

The results of a study by the Austrian economist Eugen Böhm Ritter von Bawerk showed that successively consumed quantities of any good have a diminishing utility to the consumer.

As seen in fig. 4.4, any infinitesimal increase in the quantity of good *Q* corresponds to an increase in *TU* (total utility). Although the total utility gradually increases with the increase in the number of goods, the marginal utility (*MU*) and each additional unit of benefit steadily diminishes this utility.

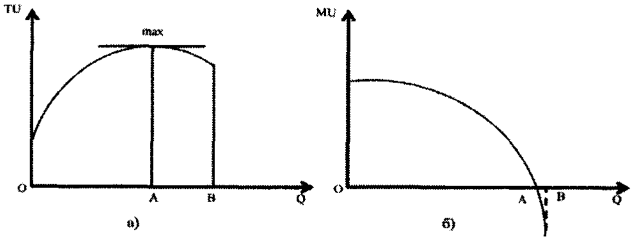


Fig. 4.4. Total (a) and marginal (b) utility

The offer of the quality of labour resources is a combination of such personal qualities as the level of knowledge and qualifications of a person, the adaptability of his physiological, physical, social and psychological characteristics to production conditions, professional orientation and mobility. Improving all indicators of quality of labour resources increases their competitiveness in the labour market, serves to increase their productivity and quality of labour, stimulates external mobility with a high supply of labour resources in the national labour market.

The offer of labour intensity. An increase in labour intensity means an increase in labour productivity. The relationship between work intensity and various other factors is very complex and has not been analyzed in depth and in detail in relation to working time and the quality of work. The labour intensity offered on the labour market, on the one hand, depends on intrinsic motivation and physical condition, and on the other hand, is regulated by the legislation and national traditions.

As it is known, an employee can purchase a lot of goods and services due to high income. Increase in income also means higher wages. As mentioned above, an increase in wages leads to a reduction in labour supply.

The economic essence of the labour supply proposal is that the employees related to them and their inseparable ability to work in the labour market is offered to the employer. The supply of labour resources is formed by certain individuals and therefore have individual characteristics. Therefore, the usual supply of labour resources in the labour market is the supply by individuals of their labour abilities (Fig. 4.5).

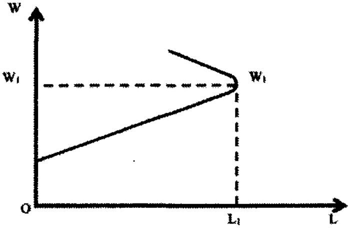


Fig. 4.5. Individual offer of labour resources

Simple offers for labour resource supply on the labour market have the following properties:

– the time of an employee is divided into two parts: working time for getting income and the remaining free time;

– an employee as a result of labour activity receives a salary in accordance with the wage rate and time spent;

– income of an employee consists of earnings and other non-labour activity income (social payments, benefits and others);

– an employee consumes the benefits that can be acquired for his income;

– free time is also a benefit, and employee spends free time on his needs, interests, proceeding from his opportunities;

– a person seeks to ensure that the benefits brought him as much profit.

Based on the above, it can be said that a simple model of labour resource supply is aimed at maximizing the increase in personal utility functions.

The minimum wage for hired employees with a positive decision of his participation in organized labour activity is considered to be *reservation wage (Wr)*. If the wage is less than the reserve, then the optimal number of hours of work (H^*), maximizing the employee's profit, will be zero, that is:

$$\text{when } W < Wr,\ H^* = 0.$$

The reservation wage shows how much money must be offered to employees who are not involved in the supply of labour resources in the labour market in order for them to start labour activity (Fig. 4.6).

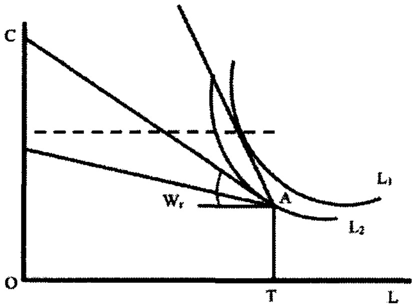


Fig. 4.6. Reservation wage

Change in income not earned from labour activity (V) changes the reservation wage and affects the decision making of a job. An increase in income not derived from labour activity increases reserve wages. Since leisure time is considered as a benefit, an increase in total income will lead to an increase in the value of leisure time and encourage the employee not to work. Point A indicates a situation in which the worker abandons his free time and encourages him to start labour activity for getting income.

Reservation wage is characterized by two features. If its amount is small, it will be easier for an employee to find a job in the labour market, which will take less time, since he will be ready to work for lower wages.

On the contrary, when the amount of reservation wage is high, the employee wants to get a job with a higher wage so that he could give up his free time and start working. Of course, finding such a workplace is not easy and it will take a lot of time.

4.3. EXPERIENCE IN QUANTITATIVE SUPPLY OF LABOUR RESOURCES

In Uzbekistan, if to summarize the theoretical and methodological approaches to providing employment for the population and its regulation, experts adhere to mostly Keynesian views. According to them, almost all directions and elements of labour relations are regulated by the Labour Code adopted 23 years ago. This document, which as a whole operates almost unchanged, has a central place in the policy of state regulation of employment of the population.

In addition, another document, the Law of the Republic of Uzbekistan "On Employment of the Population" by content does not exclude the Labour Code, but, on the contrary, supplements it and both documents are integral.

According to the Labour Code of the Republic of Uzbekistan, the subject of labour relations is a person who has reached working age and who has entered into a labour contract with an employer. In accordance with Article 77 of the Labour Code, hiring is allowed from the age of sixteen, and to perform light work without harm to their health and moral development, persons who have reached the age of fifteen are allowed to with the written consent of one of the parents or one of the persons replacing parents.

In Uzbekistan, according to the international classification, the population is divided into able-bodied and disabled (pensioners, disabled people and children under the age of 16).

The entire able-bodied population is divided into employed and economically inactive groups of the population.

According to the Law "On Employment of the Population", "Employment is an activity of citizens that does not contradict the legislation, associated with meeting their personal and social needs, bringing them income (earnings)".

Citizens have the exclusive right to dispose of their abilities for productive and creative work and carry out any activity not prohibited by law, including those not associated with the performance of paid work.

Forced labour, that is, coercion to perform work under the threat of the use of any punishment, is prohibited, except in cases established by law. Voluntary unemployment cannot serve as a basis for bringing to account.

Employed citizens, as well as citizens whose activities are equal to employment, include:

1) working under an employment contract for remuneration on full or part-time working conditions, as well as having paid work, confirmed by the relevant contract, but temporarily unemployed due to illness, vacation, temporary suspension of production;

2) occupying a position in a state body and carrying out professional activities on a permanent basis for a monetary remuneration;

3) self-employed people, including citizens, engaged in entrepreneurial activities without forming a legal entity, as well as in small and private business and family entrepreneurship;

4) performing activity under contracts of civil law nature, the objects of which are the execution of activities and provision of services;

5) undergoing military service, as well as service in internal affairs bodies, national security, customs authorities, institutions and criminal correctional system bodies, fire fighting service, with the exception of persons serving in alternative service;

6) students in general education organizations, as well as internally in organizations of secondary professional and higher education, including training in military schools and military academies, and postgraduate vocational education;

7) employed in public non-profit organizations, the activities of which do not contradict the legislation of the Republic of Uzbekistan;

8) who are founders (participants) of organizations, except for founders (participants) of public organizations (associations), charitable and other funds, associations of legal entities (associations and unions) that do not have property rights in relation to these organizations;

9) engaged in household by the execution of activities for the production of goods and services, including the production and processing of agricultural, forestry, hunting, fishing products, if the products are intended for sale in the market, as well as working in dehkan farms and household lands and members of their families who received agricultural land plots and are involved in production of agricultural products.

According to the international classification, the able-bodied population in Uzbekistan is divided into economically active and inactive groups of the population. Such a distribution allows to manage the labour power based on basics of international standards at the level of the country and regions.

According to the Resolution of the Cabinet of Ministers of the Republic of Uzbekistan No. 1011 of December 22, 2017, *a method has been developed for calculating the number of people in need of employment and the balance of labour resources, employment and occupation.*

This methodology determines the procedure for calculating the number of unoccupied people in need of employment, in a territorial context, conducting surveys of employment of the population and developing a balance of labour resources, employment and occupation of the population. It is formed in accordance with international standards, and is intended for forming and calculating the balance of labour resources, employment and occupation of the population, as well as estimating the number of employed population for each regular calendar year.

Knowledge of the basic concepts used in this methodology is very important for specialists and students:

– unoccupied, in need of employment (unemployed);

– officially registered unemployed;

– employed citizens.

The methodology provides for the division of the population into an economically active and economically inactive population. According to this division:

– economically active population are employed and unemployed;

– economically inactive population are considered to be persons with disabilities, including:

a) students enrolled with separation from production;

b) housewives and unemployed women caring for children;

c) voluntarily unoccupied persons;

– labour resources are the able-bodied population of working age and employees younger and older than the working age;

– able-bodied population at working age are persons of working age (men at the age from 16 to 60 and women at the age from 16 to 55), with the exception of unemployed persons with disabilities of the first and second groups, and those receiving a retirement pension on preferential terms;

– the balance of labour resources is a system of indicators reflecting the number and composition of labour resources, and their distribution among the employed, unemployed and economically inactive population.

The following are important in forming the supply of labour power for the more precise clarification of:

1) hired workers are persons who work by concluding a written agreement (contract) on working conditions with the management of the enterprise or working by oral agreement and receiving an agreed remuneration for this activity;

2) persons working on an individual basis are persons who independently carry out activities that generate income, do not use the labour of hired workers or attract individual employees for a short period of time;

3) employers are individuals who manage their own shareholder, business and other companies; The employer may fully or partially delegate his functions to the hired manager or may be responsible for successful operation of the enterprise independently;

4) unpaid employees of family enterprises are workers who work without pay in a family;

5) persons who are not amenable to classification by employment status are unemployed, not previously engaged in profitable labour activity, or person, information about whom makes it impossible to assign them to a particular status in employment.

In Uzbekistan, the number of economically active and economically inactive population is calculated according to the above methodology.

The number of persons in need of employment (unemployed) is determined by subtracting the number of employed and the number of economically inactive population from the number of labour resources according to the formula

$$U = LR - E - EIP,$$

where U is unoccupied population in need of employment (unemployed); LR – labour resources; E – employed; EIP – economically inactive population.

The number of labour resources is defined as the sum of the number of able-bodied population at working age and the number of working people younger and older than the working age according to the formula

$$LR = WAPM - WTP,$$

where LR – labour resources; WAPM – able-bodied population of working age; WTP – working teenagers and pensioners.

The number of WAPM is determined by subtracting the number of disabled people of the first and second groups from the number of people in working age (men at the age from 16 to 60 and women at the age from 16 to 55), as well as people of working age who receive a pension on preferential terms:

$$WAPM = Mp\,(16 - 59) + Wp\,(16 - 54) - Ip - PP,$$

where Mp (16–59) – men at the age from 16 to 60; Wp (16–54) – women at the age from 16 to 55; Ip – disabled people of the first and second groups of working age; PP – pensioners of working age who receive a pension on preferential terms.

The number of employees is calculated by the formula

$$E = Eos + Els + LM,$$

where *Eos* – employed in the official sector of the economy; *Els* – employed in the informal sector of the economy; *LM* – citizens of the Republic of Uzbekistan, engaged in labour activities abroad, except for those who are working at the representative offices of the Republic of Uzbekistan abroad.

Employed in the official sector of the economy are:

– persons included in the tax reporting of organizations for payment of contributions for state social insurance;

– military personnel, employees of internal affairs bodies, as well as employees of other organizations who are exempt from paying state social insurance contributions in accordance with the legislation;

– individual entrepreneurs, members of dehkan farms, as well as individuals engaged in breeding cattle and selling livestock products produced in personal subsidiary farms, as well as engaged in growing other kinds of agricultural products on personal subsidiary farms.

Persons engaged in informal sector of the economy include persons who have not registered in tax authorities, including:

– members of dehkan farms who do not pay state social insurance contributions, but actually carry out labour activities in dehkan farms;

– persons self-employed in unregistered entrepreneurial activities for providing paid services at home (nannies, maids, home cooks, drivers, guards, etc.);

– persons who are employed by entrepreneurs, including members of their families, and individuals without registration of labour relations (builders, porters, cleaners, labourers and other categories of workers) without paying state social insurance contributions.

Employment criteria in informal sector of the economy are:

– employment by any kind of paid activity in informal sector of the economy at least two hours a week;

– regularity of employment – presence of weekly income from employment in the informal sector of the economy;

– presence in possession of household land plot used for conduction of personal subsidiary farming in the amount of 10 acres.

Determination of the number of persons employed in informal sector of the economy is carried out on the basis of a household sample survey on the issues of employment, performed by labour agencies four times a year in accordance with the annex to this methodology.

To determine the number of people employed in the informal sector of the economy, based on survey data:

a) the proportion of the number of persons engaged in relevant activities listed in the annex to this methodology, in the informal sector of the economy, in the total number of respondents of working age is determined according to the formula

$$RDIi = NIi / NI \cdot 100,$$

where *RDIi* is the proportion of respondents engaged in relevant activity in informal sector of the economy; *NIi* – the number of respondents engaged in relevant economic activity in the informal sector of the economy; *NI* is the total number of respondents of working age;

b) according to the obtained indication of the density, the number of the population engaged in relevant economic activity in the informal sector of the economy is calculated using the formula

$$EIsi = WAP \cdot RDIi / 100,$$

where *EIsi* is the number of people engaged in the informal sector of the economy by relevant type of economic activity; *WAP* is the number of people in working age.

c) to determine the total number of people engaged in the informal sector of the economy, data on employment in the informal sector of the economy for each type of economic activity are summarized:

$$\mathrm{EIs} = \Sigma^{1}{}_{\mathrm{i}}\, \mathrm{EIsi}^{1},$$

where *EIs* is the total number of people employed in the informal economy.

When calculating the balance of labour resources, the number of persons who went abroad for carrying out labour activity is taken into account, which is determined on the basis of an integrated information module that includes data from the following sources:

a) quarterly statistical data on the number and purpose of going abroad on the basis of an improved form of customs declaration;

b) the data of the internal affairs bodies on population registration;

c) permits issued by the Agency for Foreign Labour Migration to citizens to carry out labour activities abroad;

d) received from foreign consular offices;

e) household surveys on employment issues. The number of economically active population is determined by the formula

$$EP = U + E,$$

where *EP* is the economically active population. The number of economically inactive population is determined by the following formula

$$EIP = PS + IW + VUP,$$

where *EIP* is economically inactive population; *PS* – students, studying with a break from production; *IW* – unemployed women caring for children; *VUP* – housewives and voluntarily unemployed persons, as well as non-working persons, receiving income from movable and immovable property.

The number of persons independently seeking jobs is determined by subtracting the number of people registered in district (city) Employment Promotion Centers as official unemployed from the estimated number of people in need of employment, as of the end of the reporting period using the formula

$$US = U - UO,$$

where *US* is unemployed, looking for a job independently; *U* – unemployed population in need of employment (unemployed); *UO* – officially registered unemployed at the time of determining in need of employment.

The employment survey of the population is carried out by survey of household members. Quantitative calculations of labour supply in the labour market are based on this method, which has remained unchanged for many years. Improving this methodology is one of the most necessary changes required by the time.

CHAPTER V.

POPULATION AND FORMATION OF LABOUR RESOURCES

5.1. Population and its structure

Population (population in demography) – a group of people living on the Earth (population of the Earth) or within a specific territory – continent, country, state, region, etc.

A population is a group of people living in the world, as well as in specific territories: continents, countries, regions and cities. The population has two main features: quantitative (i.e., being the aggregate of people) and territorial (population living in a particular region).

Science that studies the legitimacy of population reproduction, the dependence of its nature on socio-economic and natural conditions, migration, studying the number, territorial distribution and composition of the population, their changes, causes and consequences of these changes and giving recommendations for their improvement is demography.

The population is its object of study. The subject of study of demography are the laws of population reproduction, i.e. constant change in the number and composition of generations by changing them as a result of birth and death.

Concepts such as quantity (population size), location (distribution of the population on the area at certain time intervals), composition (distribution by gender and age), change in number (in general, growth or decrease in population size) are used in demography.

The composition of the population is the distribution of the population according to certain signs. The composition of the population is determined on the basis of the following variable categories:

– *ascriptive* (additional) characteristics (recorded at birth) – gender, age, race and ethnicity, etc.

– *social characteristics*: marital status, literacy and education, schooling (for children and adolescents), country of origin, nationality, marital status, religion, etc.;

– *economic characteristics*: sources of income, status of employment, occupation, industry, etc.;

– *migration characteristics*: place of birth, temporary length of residence in a given locality, number of changes in place of residence, etc.;

– *vital (demographic) characteristics*: age of marriage, number of marriages, number of births, birth rate, number of pregnancies, genetic intervals, number of births, number of deaths, number of newborns and others;

– *family (household) characteristics*: the type of household, its size and others.

Data for various characteristics are taken into account in the census of the population and taking into account demographic factors. Total data on the composition of the population are compiled by these characteristics. However, for a demographer, data directly or indirectly related to the reproduction of the population is important, changes in them directly and significantly affect the formation of the family.

There are not so many demographic classifications: they include gender, age, marital status, as well as the characteristics of vital events. Among the demographic classifications, gender and age, family (households) are paramount. In the demographic composition, this is, respectively, the gender, age and marital status of the population.

The gender composition of the population is the distribution of the population among men and women. About 20 years ago, there were 994 men per 1,000 women in Uzbekistan. But now in the country there are more men than women and such a demographic situation does not promise a positive result in the future.

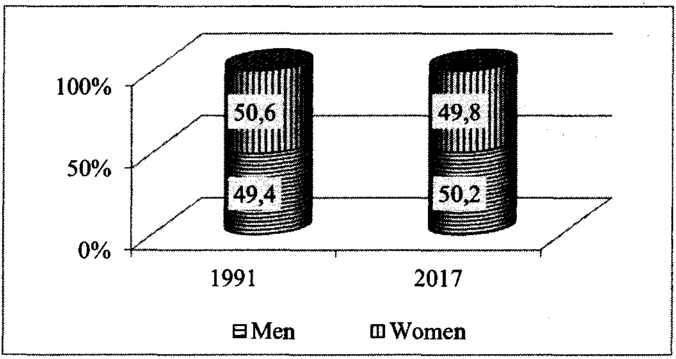


Fig. 5.1. Gender composition of the population of Uzbekistan (%)

The age structure of the population plays an important role in socio-economic development of the country. Information about the age is obtained in the process of registration of citizens, including registration of births, deaths, marriages and divorces. In the modern structure of the population of Uzbekistan, the percentage of young people under the age of 30 is 62.1%, children under the age of 16 – 33.3%, and the percentage of children at the age from 16 to 29 is 28.8%.

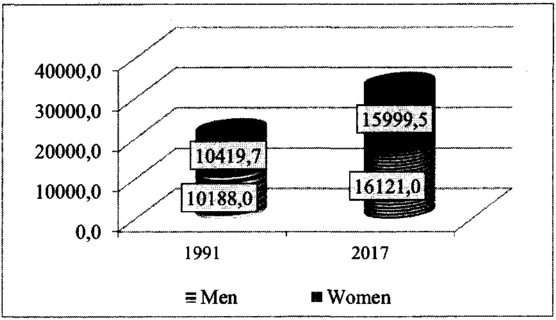


Fig. 5.2. Gender composition of the population (in thousand people)

The average age of the country's population is currently 25.5 years, including 24.1 years in rural areas and 27.9 years in cities. This indicator allows Uzbekistan to be among the youngest countries according to the international demographic classification.

Different age groups of the population differ in the level of labour activity. In particular, most people at the age from 16 to 29 are engaged in education, professional training and military service. The highest level of labour activity and employment is characteristic for persons at the age from 25 to 49. After 50 years, the labour activity of the population gradually decreases. Some citizens continue labour activity after reaching the retirement age. However, according to experts, their labour activity will be maintained only during the first 5-7 years after retirement.

Social composition of the population is distribution of people by social groups. In a market economy, social groups of the population are mainly divided according to the level of knowledge and position in the economic structure of society. Based on these criteria, the population can be divided into the following groups (Fig. 5.3):

– high-ranking civil servants, administrative employees;

– intelligentsia (by specialty, they can be divided into economists, engineers, teachers, physicians, etc.);

– entrepreneurs, including those engaged in private entrepreneurship;
– workers (divided into skilled and unskilled workers);
– workers of the agricultural sector, including farmers;
– persons in need of social assistance.

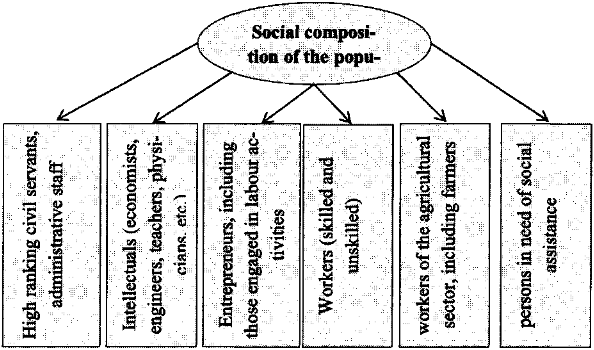


Fig. 5.3. Social composition of the population

The peculiarities of the natural and mechanical movement of the population determine its composition, that is, the distribution of people into groups in accordance with values of a particular feature. The structure of the population expresses the ratio (share) of different groups of people in the entire population.

Depending on the chosen feature, the following basic structures of the population are distinguished: age composition; gender composition; racial composition; ethnic (national) composition; religious composition; social composition; educational composition, etc. (fig. 5.4).

The age structure of the population corresponds to its distribution by age groups. Usually, one-year, five-year or ten-year age groups are used in demography. For a generalized assessment of the composition of the population, several variants of enlarged age categories are often used. Taking into account reproductive abilities, people are allocated age contingents: up to 15 years – a generation of children, 15-49 years old – a generation of parents, 50 years and older – a generation of grandparents; Proceeding from the ability of people to work, the following are distinguished: the population at the pre-working age (0-14); population in working or able-bodied age (15-60); population in post-working age (over 60). Depending on the co-relations of different groups of the population, three types of age composition of the population are distinguished: progressive – with a large percentage of children in the general population; stationary – with an almost balanced percentage of children and the elderly; regressive – with an increased percentage of elderly and old people. The current age structure of the population of the Earth has the following proportions. The category of persons under the age of 15 accounts for 30% of the total population, 15-60 years – 60%, more than 60 years – 10%. In the middle of the twentieth century, the ratio was somewhat different – correspondingly 34; 58 and 8%. Due to the increase in the average life expectancy, the world's population is ageing. The population ageing process means an increase in the percentage of elderly and old people in the total population.

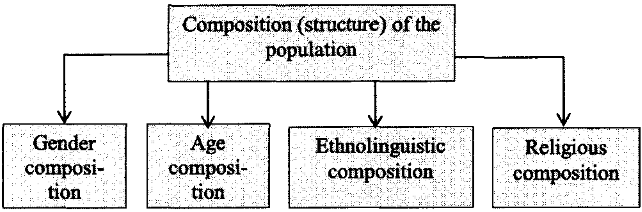


Fig. 5.4. Composition of the population

The population of Uzbekistan is multinational. The bulk of the population are Uzbeks, whose percentage in the total population is systematically increasing. The population of Uzbekistan, except Uzbeks, consists of Russians, Tajiks, Kazakhs, Karakalpaks, Kyrgyz, Turkmen, and others.

In 2019, the population of Uzbekistan will increase by 470 878 people and at the end of the year will reach 31 967 745 people. Natural population growth will be positive and will be 513 399 people. About 734 822 children will be born for the whole year and 221 423 people will die. If the level of external migration remains at the level of the last year, then, due to migration reasons, the number of people will change to –42 521 people. That is, the total number of people leaving the country (emigrants) will prevail over the number of people entering the country for the purpose of long-term stay (immigrants).

According to the United Nations Statistics Division, the total area of Uzbekistan is 447 400 square kilometers.

The total area refers to the land area and the area of all water surfaces of the state within international borders. The population density is considered as the ratio of the total population living in a given territory to the total area of this territory. According to our calculations at the beginning of 2019, the population of Uzbekistan was approximately 31 496 867 people.

Thus, the density of the population of Uzbekistan is 70.4 people per square kilometer.

Currently, in Uzbekistan, the age structure shows that the main population is 68.8% from at the age of 15-65, and 26.5% up to 15.

The non-working-age population is understood as the total population at the age under 15 and the population at the age over 64. The age of the working age population (the productive part of the population), respectively, between 15 and 65.

For Uzbekistan, the coefficient of the total demographic load is 45.3%

Self-esteem and understanding by people that they belong to a specific group are a common indicator of their standard of living and quality of life. At the same time, along with per capita income, such important indicators as the level, conditions and living standards, the provision of the population with modern housing, qualitative consumer goods, including products manufactured in a country with a developed habitat, availability of necessary infrastructure and its effectiveness, the possibility of obtaining education that meets modern requirements, access to the healthcare system.

5.2. Labour resources and their formation

Labour resources are the part of the population that has physical development and intellectual (mental) abilities necessary for labour activity. The labour power includes both employed and potential employees.

"Labour resources" concept as an economic category represents all working citizens, as well as those who want to work, looking for work, but for various reasons are not currently engaged in labour activities. The study of the resources required for labour activity, the assessment of the labour market is important for implementation of state demographic policy in order to create labour resources and ensure their employment.

Academician Stanislav Strumilin formulated the concept "labour resources" in one of his articles in 1922. In foreign literature this concept corresponds to the term "human resources".

In quantitative terms, the labour power includes the entire working-age population employed, regardless of age, in the spheres of social economy and individual labour activity. They also include persons of working age who are potentially capable of participating in work, but who are engaged in domestic and personal households, in studies with a break from production, in military service.

Views on the person as a resource for implementation of labour activity have evolutionary developed in accordance with fundamental changes in labour relations.

At the beginning of the 20th century, attitudes toward people emerged as a specific type of resource that is used in social production. Therefore, their ability to work received the term "labour power".

Labour power in the theory of labour economics is interpreted as a combination of physical and spiritual potential, used in labour activity. Labour is not considered outside the labour process and tools, i.e. considered as a group of people who have the ability to work.

Labour power is the main condition of production in any society. In the process of production, a person not only influences the surrounding nature, but also develops his production experience and skills to work.

In the methodological approaches to the concept of labour power, the problem of inclusion or not inclusion of self-employed (for example, private entrepreneurs, farmers, free creative workers) has appeared. In most cases, this economic category is defined by the indicator "economically active population" (Table 5.1).

Simultaneously with the increase in the quantitative indices of the labour power (the number of the able-bodied population), quality properties began to be added to it (level of knowledge, qualification, experience, skill, etc.).

Table 5.1

Labour resources and related concepts

Economic concepts	**Interpretation of economic concepts**
Person	A social being with a mind and consciousness, as well as a subject of socio-historical activity and culture
Tangible resources	Objects of labour consumed in the production process, which include basic and auxiliary materials
Human resources	Aggregate of qualities and characteristics of a person, which characterizes his ability to a certain kind of activity
Human capital	Aggregate of knowledge, skills, experience used to meet the diverse needs of a person and society as a whole
Labour power	Aggregate of physical and spiritual potential of a person used in his labour activity

Labour resources	Aggregate of the able-bodied population of working age and not of working age (pensioners and adolescents)
Economically active population	Population of a country that has or wishes and can potentially has an independent source of livelihood. According to the ILO methodology, this category include people at the age from 15 to 72
Economically inactive population	population that is not part of the labour force, or the economically active population, that is, all those who were not employed or unemployed during the period under consideration.

Therefore, the International Labour Organization (ILO) has introduced the concept "*labour resources*" into circulation. Labour resources are the aggregate of the able-bodied population of working age and not of working age (Fig. 5.5).

According to the ILO definition, the economically active population is that part of the population that is in the economically active age (15-72) and ensures the supply of labour for the production of goods and services. Economically active population covers all employed and unemployed. According to statistics, in 2018, 5.8 million (44%) out of 13.2 million working-age population were officially employed in Uzbekistan. The rest of the population, including labour migrants, work in the "black" labour market and get paid in an "envelope".

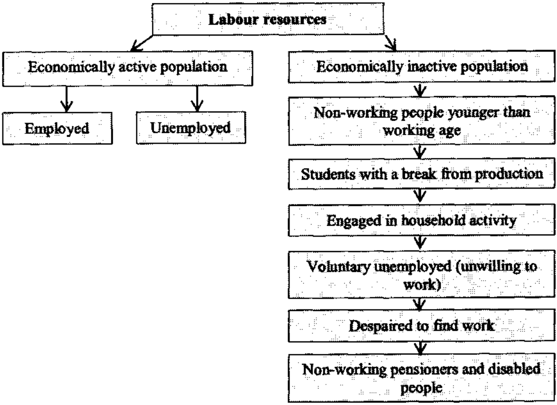


Fig. 5.5. Labour resources by ILO methodology

The ILO refers to the *economically inactive population* of those who are at the age to determine the economic activity, unemployed, but not looking for job and not ready for labour activity.

Statistical bodies of the Republic of Uzbekistan have been actively using the concept "economically active population" since 1993. According to the current legislation in the country, the average age of the economically active population of the country is 44 for men (from 16 to 60) and 39 for women (from 16 to 55). The exceptions to this are persons with disabilities of the 1st and 2nd groups and persons receiving preferential pensions.

In Uzbekistan, the economically inactive population includes able-bodied people and people who are not considered unemployed, including:

– students studying apart from the production, those who are not receiving wages or who have no labour income;

– non-working persons with disabilities of the third group;

– housewives and unemployed women raising children;

– non-working persons who receive income from movable and immovable property;

– voluntarily unemployed persons.

In 2018, over 2.5 million people lived in the capital of Uzbekistan, Tashkent, of which 1.5 million were able-bodied. Of these, 1.1 million people were employed, about 99 thousand were unemployed, more than 90 thousand were labour migrants. Almost 39 thousand youth entered the labour market for the first time this year. Informally employed amounted to over 141 thousand people.

American economists C.R. McConnell and S.L. Brue noted the quantity and quality of labour resources that affect economic growth. According to them, the health, vigor, education, and training of workers in advanced economies are generally superior to those in developing nations. This means that, even with the same quantity and quality of natural and capital resources, workers in advanced economies tend to be more efficient than many of their foreign counterparts[1].

Labour resources have quantitative and qualitative indicators. The quantitative indicators of labour resources include:

– total number of able-bodied population;

– working time of the employed population in conditions of already established productivity and labour intensity.

Qualitative indicators of labour resources are:

– health, physical ability of the able-bodied population;

– level of knowledge and professional qualification training of the able-bodied population.

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[1] McConnell C.R., Brue S.L. Economics: Principles, Problems, and Policies: in 2 volumes. – Eighteenth edition. – NY. – McGraw-Hill Companies, 2009. – P. 272.

The aggregate of quantitative and qualitative indicators of labour resources makes up the potential of labour resources.

Labour resources have the following features:

1. Labour resources together with employers bring workers income in the form of wages in this combination: labour activity + knowledge, experience, qualification = earnings.

2. If the labour ability of an employee is not used for a long time, its effectiveness decreases with time. Labour abilities are skills for conducting some activities. Over time, theoretical knowledge is forgotten and obsolete, experience is also lost. In order not to lose labour ability along with its constant use for further capacity building, it is necessary to acquire new knowledge and increase experience.

Currently, employed people are classified according to 6 factors, such as:

1) people who are employed;

2) employers are people who provided work to other people (1st paragraph);

3) independent workers: people whose organization is not demanded by regular employees. These employees carry out promotion and functioning of the organization themselves;

4) persons assisting a relative in his enterprises on a free of charge basis due to difficult financial situation in the company, and, as a rule, they do not even sign an employment contract;

5) members of production cooperatives;

6) employees who do not belong to any of the above factors due to the lack of information.

There are the following categories of labour resources:

– *workers* – workers who directly participate in production with manufacturing and delivery of goods to consumers, as well as setting up, repair, etc. machinery and equipment;

– *specialists* – those who have a specific specialty and organizing the production process in their field;

– *managers* – organizers of production, coordinating the labour activity of workers.

Labour resources (workers considered to be their carriers) have their own characteristics. These features are as follows:

– refuse labour conditions;

– resign at will;

– change labour productivity regardless of working conditions;

– improve knowledge and change the specialty;

– territorially bound;

– socially differentiated;

– realization that labour costs can be negotiated;

– exchange own place with capital and others.

The structure of labour power is diverse (Fig. 5.6). It includes 9 aspects, such as gender, age, education, occupation, qualification, etc. The most important aspects are:

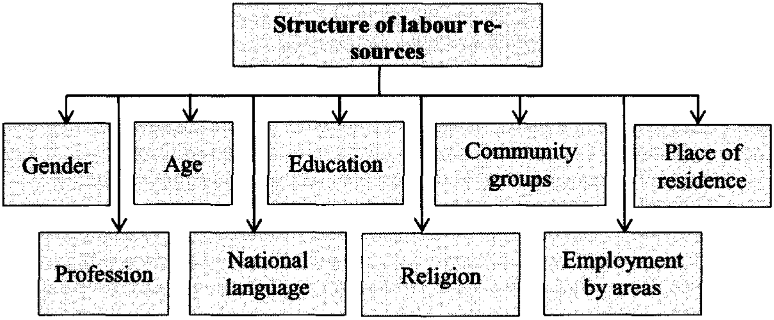

Fig. 5.6. Structure of labour resources

1. Gender plays one of the most important roles in hiring a person, because a particular person's gender is desirable for a particular activity, which means preference will be given to any of them when hiring. For example, the work of loader. When choosing a candidate, of course, preference will be given to a man than to a woman, since men are mostly stronger. However, when hiring a consultant in a fashion store, the preference will be given to a woman, since women "have a taste" and know what to advise to a client to buy a product and be pleased.

2. It is the age that many employers take into account when choosing a candidate. Of course, the choice will be made exclusively on the specifics of the enterprise's activities and on the possible position held by the candidate. For example, when hiring a manager, preference will be given to more adult people, because often decisions are made on the basis of life experience, which is important when making management decisions. As well as, a more adult person's experience is much higher than that of any 20-year-old man. However, when choosing a candidate for the position of a waiter, preference will be given to young people and girls because of their young appearance and high energy.

3. Education of the candidate helps the employer to determine the question "Is this person suitable for this position?". Since it is much more expedient to hire an

accountant with an accounting education, rather than with an engineering education. However, if to talk about education from the point of view of an educated person, then this issue is resolved by a simple conversation between the employer and the candidate, or, a more acceptable way is to give the candidate to solve any case related to the particular enterprise for which he is arranged and on the basis of solutions proposed by the candidate, the employer will be able to make a choice.

4. Place of residence plays the least important of all the above, but it has a place to be. The following example can describe the meaning of this factor: an employer in an agrofirm requires a mechanic. The activity of the enterprise is based near the village. Who should an employer take under equal other conditions: a person living in a village, near which the enterprise's activity is based, or a person living 20 kilometers from this village? Of course, under other equal conditions, the employer will make a choice in favor of the person living in the village. However, in practice there are very few such examples, but they are still taking place.

The remaining factors play a less important role, but, as was mentioned above, everything depends exclusively on the specifics of the enterprise and on the position for which personnel selection can be performed.

For most modern organizations recruiting staff, the main role is played simultaneously by the age and gender of the candidate for any position. This is due to the fact that young women in most cases give preference to the family, childbearing, which puts the employer in a disadvantageous position, because he will be obliged to partially pay wages, although in fact the girl will not work there. Men of any age are much easier in this regard, because they are fully committed to work. Of all the listed factors, education plays a secondary importance, since in the modern world the appropriate majority of organizations hire only if they have a higher education, so that the future employee has basic knowledge. Moreover, some employers to a greater extent take into account the lack of work experience of an employee at the beginning of his employment, to train him specifically for the company.

Formation and development of the structure of labour resources is associated with the demographic process: birth rate and mortality in the country, changes in the gender composition of the population, the number of marriages and divorces, the structure of families, the number of children in a family (Fig. 5.7).

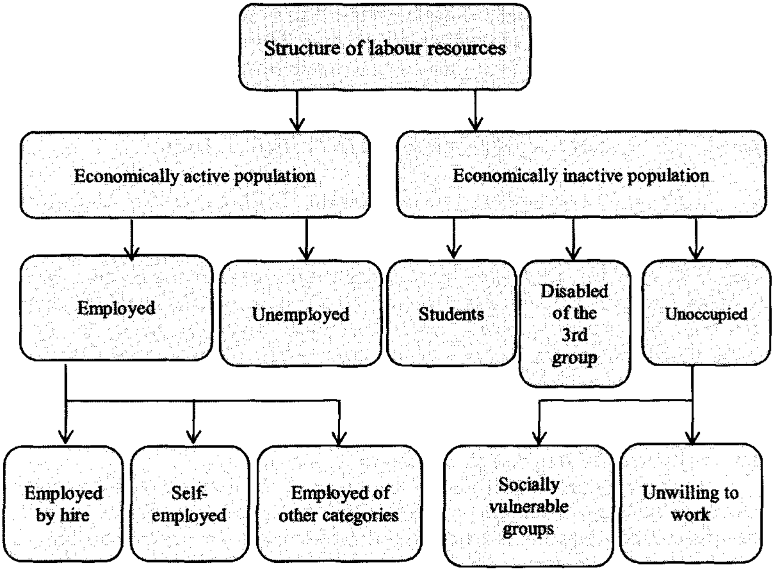

Fig. 5.7. Structure of labour resources

The main source of labour power replenishment is the able-bodied population. Each increase in birth rate affects labour resources after 14-15 years.

There are two types of formation of labour resources:

1. *Extensive type* of labour resources reproduction is characterized by a high mortality rate, a predominance of young people in the population structure, a low proportion of the elderly and older people, and low growth rates of the population. The extensive type of reproduction of labour resources means an increase in their number without changing the quality characteristics.

2. *Intensive (modern) type* of reproduction of the population is due to an increase in the level and quality of life of people, an increase in the share of the elderly population and average life expectancy based on progressive changes in society. The intensive type of reproduction of labour resources is associated with a change in their quality – an increase in the educational level, qualifications, physical and intellectual abilities, and an increase in productivity and labour efficiency.

Changes in the composition of the population affect the quantitative and qualitative indicators of labour resources. A high birth rate means a subsequent increase in the number of labour resources in the labour market and, consequently, the prevalence of labour power over demand. At the same time, an increase in the birth rate also affects the number of economically inactive groups of the population: as a result of maternity leave, the economically active population moves into the ranks of the economically inactive.

Gender and age are taken into account in the structure of labour resources. There are four main age groups:

– persons at the age of 16-29;

– citizens at the age of 30-49;

– persons of pre-retirement age (men at the age of 50-59, women at the age of 50-54);

– pensioners who continue labour activity (after 60 for men, 55 for women).

We can observe various approaches to these problems. In most developed countries, the increase in percentage of older people increases the urgency of this problem. According to experts, if the percentage of older people in the total population is more than 7.0-8.0%, then the country is considered to be aging. In this regard, in most countries, aging is considered to be 65, in some – 60. Currently, the share of elderly people in Great Britain is 16.0%, 15.0% in France and Germany, 13.0% in Japan.

This demographic situation creates serious socio-economic problems. There is growing concern that an insufficient number of working-age population may lead to a decrease in economic efficiency. In particular, some demographers believe that the adult generation is rather conservative, this may cause a decrease in pace of modernization of various sectors of the economy, introduction of new technologies, which can lead to such negative consequences as a reduction in investment resources and a decrease in labour productivity.

At the same time, the aging of society increases the pressure on social sphere, as it requires an increase in funds allocated to the pension fund and further expansion of the network of social services.

Population census provides a clear vision of the demographic situation and trends in the country. The Concept of conducting a population census in the country in 2022 was approved in Uzbekistan. It will be held for the first time in the new history of the country, the latter was held 30 years ago. For this event, it is planned to develop and adopt a special Law "On the Population Census".

Previously, there were territorial-local attempts to population census, but they were carried out rather superficially. These censuses could only show in general terms how many people are registered at a specific address. At the same time there was no individual registration, there was no detailed description by gender, age, marital status, level of education and life, employment, nationality, citizenship and other demographic, socio-economic parameters.

The concept of a population census is significant in that it will be possible to have a clear vision of the demographic state and trends in the country based on the results of implementation of tasks embedded in it. This measure is important for formation of long-term development programs with an eye to the needs of the population.

Specific details are the most important in this process. The census blanc will not only note a citizen, but the place and conditions of his residence, age, education, place of work. This will provide an opportunity to analyze the overall migration situation and get full information, as well as a cumulative assessment of volume of labour resources, in order of targeted creation of jobs for ensuring their employment.

Particularly interested in the results of conducting the census of labour authorities of the country. In particular, this will provide data on non-employment of women. As a result, targeted investment programs will be adopted. In regions where there is a surplus of labour power, new small industrial zones will be opened.

Conduction of the census will solve another important task –determination of situations with residential and non-residential funds. It will be revealed what buildings are empty to give to the needs of a business. In general, we are talking about updating the cadastral map of the country. Thus, the census will allow to study the need for each region in construction of social facilities – schools, hospitals, kindergartens. Creation of new economic zones will also be determined.

5.3. RELATIONSHIP OF LABOUR AND HUMAN RESOURCES

The category of "labour resources" corresponds in a proper way with the category of "human resources", since both of them reflect the different features of the total employee.

The concept of "labour resources" is used to characterize the able-bodied population across the country, region, branches of the economy, or within a professional group. Along with it, economics and practice also apply such notions as "labour power", "human resources" having a different content and semantic load. They complement each other, revealing any one of the sides of the carrier of these concepts – mankind. The use of different terms is also important because there are established international standards, based on which comparisons can be made between countries.

"Human resources" is a concept reflecting the main wealth of any society, the prosperity of which is possible when creating conditions for reproduction, development, use of this resource, taking into account the interests of each person. The concept "human resources" is more capacious than "labour resources" and "personnel", because it contains a set of socio-cultural characteristics and personal-psychological properties of people. The specificity of human resources, unlike all other types of resources (tangible, financial, informational, etc.), is as follows:

– a person is endowed with intelligence, therefore, their reaction to external influence (management) is emotionally meaningful, not mechanical; the process of interaction between the subject of management and people are bilateral;

– due to the possession of the intellect, people are capable of continuous improvement and development, which is the most important and long-term source of increasing the effectiveness of any society or individual organization;

– a person chooses a certain type of activity (productive or non-productive, mental or physical) consciously, setting himself certain goals.

In the 70s of the 20th century, the concepts "human resources" and "human resource management" instead of "personnel" and "personnel management" were adopted in American personnel management[1].

The difference between the concept of human resources and the concepts of personnel management that underlie schools of scientific management and human relations consists of recognition of the economic feasibility of capital investments related to attracting labour power, maintaining it in working condition, training and even creating conditions for a more complete identification of opportunities and abilities inherent in the character and individual differences of each individual.

As it is known, in the 18th-19th centuries, during the period of mechanization of production in the labour market, labour power with skills in various fields played a major role. Because, for production, labour was necessary, which did not require special training or great physical strength, possessing skills that an absolute majority of people easily mastered.

In the modern economy, which has entered a phase of innovative development, resources represented on the labour market are of great importance. It is impossible to imagine any production without human participation.

The form of labour organization reflects the formation and development of a new socio-economic system. Therefore, creative workers are able to ensure the development of an innovative economy. Human resources presented today on the labour market are designed to form the new economy.

Human resources are an aggregate of qualities and characteristics of a person, which characterizes his ability to perform a certain kind of activity.

Human resources demanded in the labour market by their human capital, other economic advantages are subjects of economic relations.

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[1] The concept of human resources in American management. https://studopedia.info/5-65221.html

The structure of human resources highlights such important factors as professionalism, qualification, and enterprise. Wherein:

– profession (specialty) – the accumulated knowledge and skills that are acquired during special training that allows to perform specific activities;

– qualification – the amount of knowledge and experience that allows an employee to perform work (services) at a certain level of labour activity;

– enterprise – the level of efficiency and initiative.

Human resources also encompass *entrepreneurial skills*. Entrepreneurial skills are human activities based not only on knowledge, skills and enterprise, but also on the ability to conduct business, economic sense and success.

The main qualitative indicator of human resources is competitiveness of the employee on the labour market. Qualitative indicators in a changing socio-economic situation affect the innovation process in production. These changes can be considered as the unity of production, institutional and information structural components.

It is well known that competition in the modern labour market is growing steadily. This is evidenced by the unemployment rate in economically developed countries. To maintain the market competitiveness of a company associated with development of innovations, strive to use competitive human resources represented on the labour market.

The advantages of human resources are determined by:

– the level of training (level of education and qualifications, broad and narrow specialization);

– creativity;

– the desire to increase personal potential;

– labour activity;

– is the main driving force of social production;

– the object of the most effective capital investment is a contribution to the mastery of knowledge and skills that will bring the maximum benefit in the future.

The specificity of human resources, unlike all other types of resources (tangible, financial, informational, etc.), is as follows:

1. Man possesses intelligence, and consequently, his attitude to external influence is not mechanical, but conscious. This means that the interaction between the subject and the object of management is two-sided.

2. Human resources, due to possession of intelligence, are capable of continuous development and improvement, which is the most important and long-term source of increase in the effectiveness of any enterprise or the whole society.

3. People, consciously setting goals for themselves, choose a certain type of activity.

The concept of human resources is primarily a practical concept that emerged in response to changes in conditions of business activities of corporations in industrial, technical and socio-economic spheres. Manifestation of these changes was the increasing role of labour power in production. The decisive factor in competitiveness in many industries has become the provision of skilled labour, the level of its motivation, forms of labour organization and other features that determine the efficiency of personnel use. As a result, the traditional approach to working with personnel, based on minimizing personnel costs, in many corporations found its independence.

One of the postulates of the theory of human resources is the application of value categories and assessments to the use of labour power.

At the same time, on the one hand, the use of human resources is characterized by a certain cost of the employer, in addition to the salary paid. These include the costs of staff selection, training, social insurance, etc. On the other hand, human resources are characterized by the ability to create income that comes at the disposal of the employer. It is this ability that determines the value aspect of the use of human resources.

The main theoretical postulate of the concept of human resources is consideration of employees as a key resource of production and rejection of the concept of labour power as a gratuitous wealth, development of which does not require cash and organizational efforts from the employer. Thus, human resources, as it were, are equalized in rights with financial resources and fixed capital.

Nobel Prize winner Amartya Sen made a great contribution to formation of human resources concept.

Amartya Sen in his book Development as Freedom, published in 1989, analyzed the development process not only from the standpoint of financial and economic well-being, but also from the point of view of the process of expanding human capabilities. He noted that it is necessary to assess the standard of living in society not by the average level of income, but by the opportunities that are available to ensure a decent life. The Indian economist emphasized that the goal of social development is not the endless growth of production, but the creation of opportunities for people to implement more work, gain knowledge, live longer, avoid disease, etc.

Amartya Sen (1933) was an Indian economist, in 1998 received the Nobel Prize in Economics "for his contributions to welfare economics"
Main work:
Development as Freedom. – M.: New Publishing, 2004

The main object of criticism in analyzing various concepts of justice for Amartya Sen is the standard utilitarianism, the informational basis of which is the total benefit, where "benefit" in the classical, Bentham, version of utilitarianism is considered the pleasure or happiness of an individual, i.e. mental characteristic. The main focus of criticism of the utilitarian approach is involuntarily, because "for more than a century and a half, utilitarianism was the dominant ethical theory and, inter alia, the most influential theory of justice. In the traditional welfare economy and public policy, this approach has long occupied a dominant position".

For Amartya Sen, the utilitarian approach can be decomposed into three elements:

1) "consequentialism", which means that an action is right if the state of affairs resulting from action is at least as good as each of the alternative states of affairs that would have resulted respectively from the alternative feasible acts;

2) "welfarism", according to which the judgement of the relative goodness of alternative states of affairs must be based exclusively on, and taken as an increasing function of, the respective collections of individual utilities in these states;

3) "sum-ranking", for which one collection of individual utilities is at least as good as another if and only if it has at least as large a sum total.

Based on the concept of A. Sen, the United Nations Development Programme (UNDP) developed a conceptual approach to human development and in 1990 the World Human Development Report was published for the first time.

This concept implies a bilateral approach to human development:

– firstly, human empowerment through strengthening his health, acquisition of knowledge, improvement of his professional skills;

– secondly, providing the possibility of using human abilities for production purposes, cultural, political and leisure activities.

According to this concept, *human development* is not limited only to formation of goals for increasing production resources and material wealth.

According to UNDP, human development focuses on improving the lives people lead rather than assuming that economic growth will lead, automatically, to greater wellbeing for all. Income growth is seen as a means to development, rather than an end in itself. At the same time, the essence of human development is based on the fact that at all levels of development it is possible to use necessary resources to ensure a long and healthy life, access to knowledge and a decent standard of living. At the same time, if a person does not have the possibility of using the basic choice, then he will not be able to use other possibilities.

Human resources are a part of the population of a country, in the qualitative sense, possessing certain knowledge, skills and abilities. These qualities include the ability of human resources to perform socially useful work. It is this quality that turns them into labour resources.

Reproduction of labour resources is the process of renewing the quantitative and qualitative characteristics of the economically active population, including the phases of formation, distribution and use.

Reproduction of labour resources depends on the demographic situation in each country. The size and composition of the population is constantly being updated and changed in the process of a change of generations, as a result of birth and death of people.

The main source of labour resources replenishment is youth entering the working age; its number depends on the mode of reproduction of the population, the birth rate in the country, the number of marriages, as well as on infant mortality rates. With an expanded reproduction of the population and increase in the birth rate, the number of those entering the working age will increase.

There are two types of reproduction of the population and labour resources:

– extensive, which consists in approximation of the population structure to the narrowed reproduction, a high proportion of mortality, a low proportion of the population of older ages, and small overall growth rates of the population of the country. In practice, the extensive type of reproduction of labour resources means an increase in their number without changing their qualitative composition in the structure of the economically active population;

– intensive – mainly associated with implementation of socio-economic programs for ensuring and improving the quality of life of the population, increasing real income per capita, increasing the proportion of the elderly population and life expectancy. Most often, this type of population reproduction is due to the continuing growth of labour potential of society based on changes in the indicators of the educational level, the vocational qualification characteristics of the working-age population, and an increase in the efficiency of the use of labour power and advanced technologies.

There are three types of reproduction of the population (Fig. 5.8).

1. Narrowed demographic reproduction of the population. In this type of reproduction, the number of deceased people exceeds the number of births. This process is characterized by the fact that the birth rate is zero or does not exceed mortality. In demography, this process is called *depopulation (from the French word "depopulatin")* or a *demographic crisis*. Countries with narrowed demographic reproduction of the population are at risk of the birth of their citizens.

In economically developed countries, the narrowed demographic reproduction of the population is often seen as a consequence of urbanization. As it is known, industrial production plays a big role in developed countries. For industry, highly skilled professionals are required. Training of such specialists takes 21-23 years. At the same time, widespread involvement of women in industrial and social activities is "hindered" by the emergence of second, third, and more children.

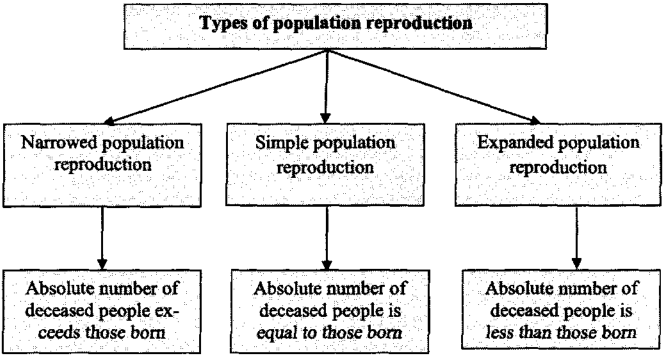

Fig. 5.8. Types of population reproduction

2. Simple reproduction of the population. In such a reproduction of the population, the absolute number from the generation of parents is equal to the generation of children. In such a society, a stable gender-age composition is formed. In this regard, this type is also called the stable type. A simple type of reproduction of the population is characterized by an equal level of fertility and mortality, as well as low rates of natural population growth. At the same time, the total population size does not increase, and in the event of any unfavorable conditions, there is a risk of transition from this type to a narrowed type of population reproduction. This situation is now observed in developed countries of Europe and North America. It has the following features:

– high level of socio-economic development;
– an increase in family income, a decrease in the number of children;
– high level of urbanization (up to 75%);
– raising the status and role of women in society;
– formation of new values in society;
– an increase in the number of adults, etc.

3. Expanded reproduction of the population. With such population reproduction, the absolute number of births of this type exceeds the number of deaths. With an expanded reproduction of the population 260 or more children are born for every

100 families. As a result, a developed gender-age structure is formed and its absolute amount increases. For this type, natural birth rates and relatively low death rates are relatively high.

Expanded reproduction of the population is mainly observed in developing countries (Asia, Africa and Latin America).

The socio-economic reasons for the expanded reproduction of the population are as follows:

– low rates of economic development, a high proportion of agriculture in the economy;

– relatively low urbanization (up to 41.0%, the birth rate in rural areas is high);

– peculiarity of social relations, religious beliefs encouraging large families;

– discrimination against women, early marriage;

– using modern medicine to combat epidemics, increasing sanitary culture;

– lack of family planning in Muslim countries, etc.

The effective use of modern medicine in developing countries has led to a reduction in mortality, but the birth rate remains high.

Expanded reproduction of the population indicates its natural, migratory (mechanical) and social movements.

Natural movement of the population is indicators of fertility and mortality. If the birth rates exceed the death rates, this indicates a natural increase in the population and vice versa, if the death rate exceeds the birth rate, then this is an indicator of the natural decrease of the population.

Migration (mechanical) of the population occurs under the influence of various economic, political, religious and other factors that seriously affect the status and way of life of people. In this case, internal (in the country's territory) and external (beyond the borders of the country) migration is distinguished.

Social movement of the population is reflected in social, educational, professional, national changes and other structures.

Uzbekistan is one of the most densely populated countries in the world. According to the information, as of January 1, 2019, the country's population was 33.7 million people, that is, over the years of independence, it increased by 11.5 million people. In terms of population, Uzbekistan ranks the 43rd in the world and the 18th in Asia (Fig. 5.9).

Currently, the population growth rates in Uzbekistan are in line with the global average. In particular, the average annual population growth in 2006-2017 amounted to about 1.6%, the annual increase amounted to 428.2 thousand people. As a result, the natural population growth in the country has become the main source of growth. This process continues unabated after a period of outflow of population due to external migration in recent decades. Thus, in Uzbekistan, natural population growth plays a major role in reproduction of the population.

At the same time, natural growth decreased from 39.8 in 1991 to 17.8 parts per million in 2015. The birth rate decreased from 34.5 in 1991 to 21.4 parts per million in 2018. It should be particularly noted that the birth rate has dropped sharply among the country's rural population.

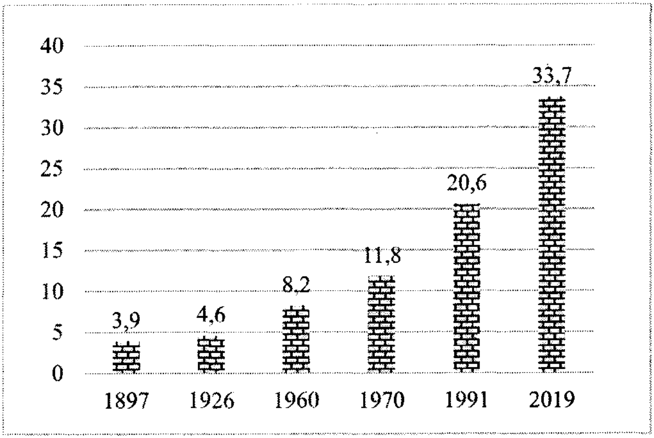

Fig. 5.9. Dynamics of population growth in Uzbekistan[1] (in million people)

Reproduction of labour resources is constant restoration and maintenance of physical and mental abilities of a person, increasing his educational and professional level. This applies to both individuals and hired groups of workers.

The theory of labour resources reproduction was developed by the French economist François Quesnay. In his "Economic Table" he for the first time introduced the law of social reproduction

The ideas of this work indicate the need for complying with and reasonable forecasting of certain economic proportions in the structure of the economy. They found a relationship, which he characterized as follows: "Reproduction is constantly renewed by costs, and costs are renewed by reproduction."

[1] Information of the State Statistics Committee of the Republic of Uzbekistan. – URL: http: // www.stat.uz.

François Quesnay (1694–1774) was the French economist, founder of the Physiocratic School.
Works:
Economic Tables Quesnay, 1758.
Selected economic works.
- M.: Socio-economic literature, 1960.

He justifies this rule as follows:

1. Farmers rent land from its owners for money and grow products.

2. People buy agricultural products from peasants, and industrial products from industrialists, as a result, farmers get a part of the money paid for the rent of land.

3. Farmers buy manufactured goods from industrialists.

4. Industrialists buy agricultural products from farmers, and as a result, farmers will have money to rent land.

This rule is not perfect, but later it was improved by scientists. However, it allows to get a general idea of labour resources formation.

Formation of labour resources occur in four stages (fig. 5.10):

1. Formation of labour resources ⇒ 2. Distribution of labour resources ⇒ 3. Exchange of labour resources ⇒ 4. Use of labour resources

Fig. 5.10. Stages of formation and use of labour resources

Formation of labour resources begins at school and continues in specialized secondary and higher education institutions during practice and internships.

These include:

– formation of physical and mental abilities of workers for the implementation of labour activities;

– hiring new employees instead of those who leave the production (retirement), as well as creating new jobs for hiring new employees;

– retraining and advanced training of employed and newly hired workers.

Formation of labour resources can be implemented once (see table 5.2).

Extensive method means that the number of able-bodied workers will increase without changing their abilities.

Intensive method involves increasing the capacity of workers through education and training.

Advanced method of reproduction will have a significant positive impact on the volume of production quality products and services.

Distribution of labour resources and their exchange in the labour market usually takes place with participation of social partners – employees, employers and the state, as well as enterprises themselves (recruitment, exchange of jobs, dismissal, exchange of labour at its cost, etc.).

Table 5.2

Types of formation of labour resources

Methods of formation of labour resources	The essence of types of labour resources formation
Extensive	Increasing the number of able-bodied workers without changes in their labour potential
Intensive	Increasing staff potential directly through education and training
Simple	Total labour potential of workers is preserved, i.e. the number of able-bodied workers and their potential do not change, as a result, the volume of production will be stable
Narrowed	Both the total potential and the number of able-bodied workers are reduced, and their skill level also worsens.
Expanded	Total potential of workers to labour increases. At the same time, the increase in total potential of employees may be intense or extensive.

The purpose of distribution of labour resources is effective use of the working-age population, optimal allocation of labour resources by branches of economy and industry. Primary distribution of labour resources include: employment of graduates of general education, secondary special, professional and higher education institutions. The secondary distribution of labour resources is associated with mobility of labour resources. Such distribution is mainly carried out through employment services.

The use of labour resources is carried out directly at the workplace for production of socially useful goods and provision of services. At this level, the main attention should be paid to the efficient use of workers in the workplace. This largely depends on modernization of production, introduction of new technologies, and improvement of personnel management.

5.5. THE CONCEPT OF LABOUR POTENTIAL

The concept of "labour potential" was introduced into scientific literature relatively recently, in the 1980s. Labour potential is an aggregate of demographic, social and spiritual characteristics and qualities of labour-active population developed in a given society, which are embodied or can be embodied within and through the system of relations existing in society for participation in the process of labour and social activities.

Labour potential is a form of embodiment of the human factor of production, economy, i.e. only those employed are taken into account in the labour potential.

The productive force arising from the joint work of different people forms the basis of the labour potential of enterprise's collective. Labour collectives have different potential depending on location of the enterprise, affiliation of the industry, scale of production, age-gender structure of workers, etc. In addition, each company has its own peculiarities of collective formation, labour traditions and relations between employees.

The main factor in achieving socio-economic development is emergence of the concept of labour potential

There are still many views on such labour factors as "labour power", "labour resources", "human factor", "human capital" and "labour potential".

The term "potential" comes from the Latin word "*potentia*", which literally means opportunity, strength, power.

Labour potential means labour opportunity, strength, availability of labour in society. Definition of labour potential consists of a combination of factors, designation of its formation, qualitative, quantitative evaluation and effective use. Until now, scientists have interpreted this category differently and approached from different points of view (Table 5.3.).

At the same time, the labour potential consists of an individual person, an enterprise, a city, a region, the whole society, since it represents the aggregate of all the human abilities to labour.

Some scientists equalized labour potential and labour resources, emphasized that these concepts have the same meaning. Other researchers note that these categories are different from each other and the concept of labour potential is much broader than the concepts of labour and labour resources.

The theme of "labour potential" still remains a subject of controversy, and today all scientific and economic approaches to this issue can be divided into three areas.

Representatives of the *first direction* to the category "labour potential" approach as a "resource" and pay special attention to its quantitative indicators. According to representatives of this direction, labour potential is an aggregate of resources related to various activities necessary for development of society.

Studying this category, the Russian scientist N.A. Gorelov equates it directly with the terms "labour resources" and "labour power". He approaches this from a quantitative point of view and believes that the labour potential includes the able-bodied population of working age.

Table 5.3.

Formation of categories related to the labour factor in scientific and economic circulation

Category	Date	Initial definition of the term	Need for emergence
Labour power	19th century	Owner of abilities and advantages that can be effectively used in the labour process	The need for identifying, definition and account for personal factors in production
Labour resources	20s of the 20th century	Inactive object, externally controlled, planned-accounting unit	The need for measuring and planning the indicators of the labour power formation process in conditions of planned management of a centralized economy
Human capital	60s of the 20th century	A person is the most effective object of investments and a subject that transforms them into knowledge and abilities for subsequent implementation in the future.	Recognition of the importance of human intelligence and the need for investing in its development
Labour potential	70s of the 20th century	A person as an object characterized in the labour sphere with his needs and interests	The need for increasing the opportunities associated with the factor of a person's personality and using them effectively

Human factor	Mid 80s of the 20th century	A person is the main driving force of social production, a means of increasing productivity	Socio-political conditions, the need for improving the effectiveness of the personality factor

G.G. Sergeyeva and L.S. Chijov share this opinion in their economic views. In their work, "The labour potential of the country", this category is treated as labour resources belonging to the public. However, they, unlike N.A. Gorelova, draw attention to the qualitative aspects of this category. In their opinion, the mutual commonality of the quantitative and qualitative properties of the working-age population determines the real content of the labour potential.

The Russian scientist and economist N.A. Volgin also considers labour potential as a resource and notes that labour potential is a collection of human resources consisting of many interrelated elements. The main feature for the basis of inclusion in this aggregate of an element is the physical and mental abilities of a person.

According to R.R. Ruzavina, R.R. Kolosova, A.A. Kumykova and L.Y. Kunelsky, labour potential is one of the directions defining the category of labour power. These scientists consider labour potential as a broader concept of resources, including the potential of those who can participate in public production, as well as those who for some reason are unemployed.

L.S. Degtyar believes that there is no difference between labour resources and labour potential. In his opinion, both of these categories have the same value and have the same function.

V.G. Vrublevsky expresses a peculiar point of view on the labour potential, especially noting the peculiarities of working conditions during its formation. Therefore, the author emphasizes, the labour potential is formed from the unity of the total labour force and labour conditions.

N.V. Korovyakovskaya also equates the labour potential with the resource and comes to the conclusion that the labour potential consists of the able-bodied population and those who have reached retirement age, but have retained their working capacity.

So, scientists who consider the labour potential as a resource, mainly give priority to its quantitative indicators. But in determining the labour potential, they limited themselves to able-bodied persons, labour resources, employed, unemployed, and able-bodied pensioners. However, they did not take into account personal qualities and professional qualification factors of the population.

Supporters of the *second approach* consider labour potential as a "factor" and approach the definition of potential in terms of individual and human factors. In their views, they pay special attention to quality indicators.

M.I. Skarjinsky suggests considering the labour potential as one of the economic forms of the movement of the personality factor. He believes that this category is a three-stage promotion: labour resources, production conditions (labour power) and labour potential. By definition of a scientist, labour potential is a real and potential opportunity to bring society in motion.

Defining the concept of "potential", Professor of the Ural State University of Economics N.I. Shatalova, focusing on a certain moment, concisely formulates: labour potential is an exact manifestation of the human factor.

Similar economic views can be seen in the works of I.A. Kokorev. He also emphasizes the importance of the factor and believes that labour potential is a combination of personal labour qualities.

M.I. Dolishniy, S.N. Zlupko, V. Dobrik, T.M. Paliy, T. Schultz and other economists consider potential as a category that forms a factor. M.I. Dolishniy proposed the following formula for evaluating labour potential, which determines its composition.

Also, by the definition of M.I. Dolishniy, the labour potential is a combination of demographic, biomedical, educational and professional indicators.

V.S. Bulanov approves that the labour potential includes the full potential of both a specific person and various working groups in society. Unlike the resources that determine the scale, content and volume of services, the potential characterizes their quality and capabilities.

G.E. Slezinger believes that the labour potential is the sum of personal qualities of the production factor. B.M. Genkin believes that labour potential is the ability of a person to participate in economic activities.

According to L.A. Kostin, labour potential is an aggregate of various quality indicators that determine a person's labour ability: firstly, health, efficiency, endurance, physical and mental abilities of an employee; secondly, innate abilities, general and specific knowledge of a person, work skills and experience; thirdly, the level of responsibility, interests and needs of workers.

Representatives of the *third approach* study the labour potential from both the quantitative and the qualitative side. In determining this category, they both equate these indicators. In their opinion, labour potential is a combination of quantitative and qualitative indicators.

Russian scientists V. Kostakov and A. Popov focus on the commonality of quantitative and qualitative factors. According to their interpretation, labour potential is a harmonious aggregate of qualitative and quantitative aspects of labour resources of the country.

Another Russian researcher A.Ya. Kibanov, expressing his opinion, considers the labour potential as a force of society for creation of tangible benefits; potential reflects the generalization of qualitative and quantitative labour resource opportunities and their ability to work. But at the same time there is no need to oppose the concepts "potential" and "resource", since the first is an aggregate of qualities accumulated by society, a collective, an individual, ensuring the possibility of functioning and development in the future, and essentially fits the definition of "resource".

I.S. Maslova, in her economic views, identified labour potential as a unit of possibilities for the able-bodied population, various workers or individuals for their participation in socially useful activities at a certain level of development of productive forces and production relations.

In the views of A.S. Pankratova one can also see both quantitative and qualitative approaches. However, she considers both aspects of labour potential (quantitative and qualitative) to be in harmony with each other. According to the scientist, labour potential is a quantitative definition of the possibility of providing a personal factor that meets the requirements of development of production.

Unlike other scientists, A.S. Pankratova believes that potential is a quantitative expression of a personality factor. In addition, in determining the labour potential, she pays special attention to such indicators as the number of able-bodied population, work time (duration) and productivity.

A.E. Kotlyar distinguishes the following indicators in labour potential, providing qualitative and quantitative aspects: if quantitative indicators reflect the number of able-bodied population and the duration of their working time at a certain level of productivity, then the qualitative characteristics reflect the state of health and physical capabilities, education, qualifications, the ideological and political level of able-bodied workers.

Quantitative and qualitative characteristics are widely covered in the studies of the Uzbek scientist D.N. Rakhimova. In her opinion, the labour potential, along with quantitative indicators, should have a qualitative side.

Different points of view and views expressed in these studies, differently define the concept of "labour potential". At the same time, in the approaches to this concept, as a factor, they express broader opinions than those who consider it as a resource.

Consequently, in the works of many scientists, labour potential is treated as a concept, and some researchers define it as a socio-economic category. A number of researchers interpret it widely, consider the labour potential to be a complex, multifaceted socio-economic category that differs from the concepts of "labour resources" and "labour power". Those who interpret this concept in the form of an economic category consider production relations as a social form of labour potential, the formation and development of working groups and individual workers, as well as practical use of human potential.

A group of economists of Uzbekistan (R.A. Ubaydullayeva, Kh.P. Abulkasimov, D. Rakhimova, Sh.N. Zaynutdinov, Sh.R. Kholmuminov, A. Abduganiyev, A. Vakhobov, N.Kh. Rakhimova) express the opinion that the labour potential includes all citizens, possessing physical abilities, knowledge, skills, qualifications for participation in production. This definition gives a broader understanding of the potential, not only as a resource, taking into account the fact that, along with quantitative ones, they also have qualitative indicators that affect the production activity of an employee.

According to the author of the book, labour potential is an aggregate of the ability to work (in their quantitative and qualitative relations) and the opportunity to participate in labour activity of not only everyone, but of all workers. The qualitative difference in the potential of the resource lies in the fact that the labour potential is not a simple labour mass of society, but a unit that ensures high efficiency of labour, reflecting the optimal possibilities for socio-economic development of the country.

The difference between the "labour potential", the "labour power" and "human resources" has the following specific features:

– *firstly*, the labour potential expresses the quantitative and qualitative resources of human labour in society. It is also a collective labour power that personifies all the qualitative aspects;

– *secondly*, this economic category allows the employee and the labour collective to assess the level of using available funds, which, in turn, enhances the activity of the human factor;

– *thirdly*, its analysis helps to ensure the qualitative and structural correspondence between human and material production factors.

It is important to emphasize that the concept of "labour potential" is broader in its socio-economic context than the terms "labour resources" and "labour power". In determining the labour potential of the country, it should not be considered as a manifestation of strength and capabilities of the labour force. Because the labour potential, in addition to the economically active population and the population providing services, also includes the non-working part of the population.

Introduction "labour potential" category to the scientific revolution and intensification of activities on this issue, accumulation of a large theoretical and practical experience in this area should become the basis for formation of an integrated theory – the theory of labour potential.

After the end of labour activity, the labour power again acquires the form of an economically inactive population, but remains in the structure of the resource. For this reason, labour resources differ from the labour potential by the possibility to participate in production with their services.

Scientific and economic research of labour potential opens its content in terms of quality and quantity. Formation, research and study of labour potential as a socio-economic category passed through several stages.

Effective introduction of market relations in Uzbekistan, provision of employment and achievement of socio-economic development depend primarily on the effective use of existing labour potential. Labour potential plays an important role in modernization of modern innovation economy, its importance can be seen at micro, meso and macro levels.

The role of labour potential in the economy of various territories and regions indicates its role and importance at the meso level. Manufacturing and industrial sectors, socio-economic infrastructure and communications develop in the countries where the labour potential is the highest. In addition, the gross regional product (GRP), created in these regions, will have a high share in the gross domestic product (GDP) of the country. In addition, the level of urbanization is also closely related to labour potential, because migration of the population and labour power affects urbanization. This means that these indicators determine the place of the region in the country's economy.

The macro meaning of the labour potential is based on its role in the country's economy and recognition as the main wealth. The basis of all socio-economic relations in society is labour. Due to it, tangible and intangible benefits, national cultural and spiritual wealth are being created in the country. The subject of this labour is man, i.e. labour potential. Therefore, in national economics, national wealth is given the following definition: national wealth is the embodiment of tangible benefits created and accumulated by the labour of society.

The structure of national wealth includes, along with other resources and labour potential, industrial experience of the population that meets modern requirements, innovative knowledge and skills in the field of science, technology and entrepreneurship. Therefore, it is necessary to consider labour potential not only as a factor of production, but above all, as the national wealth of the country.

The role of labour potential in determining the economic power and potential of a country is naturally higher than tangible and production resources. Because directly labour potential carries out the use, mobilization and management of natural and tangible resources. Thus, the labour potential of the country itself is a national wealth, as well as the managing and using this wealth.

This means that the value of labour potential at all levels determines both the scientific and economic relevance of its research.

5.6. System of Indicators and Classification of Labour Potential

If the concepts "labour resources" and "labour power" contain only quantitative characteristics, in contrast to them the concept "labour potential" covers both *quantitative* and *qualitative indicators*.

Some economists believe that the quantitative indicators of labour potential are equal directly to the number of resources, including the able-bodied working-age population, working adolescents and pensioners.

Quantitative indicators of labour potential are not limited to only the economically active part of the population. The following categories of population can also be added to them:

– inactive part of the able-bodied population;

– persons with disabilities of all groups who have the opportunity and who want to work;

– preferential pensioners of working age;

– wishing to work among adolescents and pensioners according to the age.

Indicators characterizing these components can relate to both the individual and various teams, including the personnel of the enterprise and the population as a whole.

These segments of the population can be turned into active and full-fledged members of society by offering them jobs with decent wages and favorable working conditions or paid home-based work, providing services, etc. Their employment will have a positive effect on the increase in the gross national product of the country, development of social infrastructure, increase in efficiency of capacity utilization and economic growth. Therefore, it is desirable to recognize the above-mentioned categories as additional (reserve) labour potential resources.

In addition, non-residents (immigrants) engaged in labour activity in Uzbekistan can be included in the active resource potential. Their inclusion in the structure of labour potential is based on the fact that they carry out labour activities in tangible and intangible spheres of the economy, mobilize their intellectual and physical abilities. Although non-residents receive most of their income from labour activity for themselves, they also spend it to meet their needs (food, housing, utilities, transportation, household expenses) in the territory of the country, pay income tax and other social payments. This, in turn, is reflected in budget revenues and the turnover of money.

The core of quantitative indicators is a *person* and personal human factors in mutual harmony form the labour potential.

A person, as a result of participation in socio-economic activities, becomes an *employed worker*.

Quantitative indicators of labour potential can be expressed as follows:

$$f(m) = (m_1, m_2, m_3, m_4 \ldots\ldots m_n),$$

where $f(m)$ is a quantitative indicator of labour potential; m_1 is able-bodied population of working age (active and non-active); m_2 – working pensioners and teenagers; m_3 – disabled and willing to work; m_4 – non-residents working in the country.

The formula reflects the sum of qualitative indicators of a potential resource, i.e., it is intended to ensure the activation and application of the human factor in the way of implementing the potential possibilities of an employee.

The quality indicators of labour potential are influenced by many factors, which are expressed as follows:

$$f(c) = c\ (c_1, c_2, c_3, c_4, c_5, c_6 \ldots\ldots c_n),$$

where $f(c)$ is a qualitative indicator of labour potential; c_1 – physical condition and health; c_2 – level of education; c_3 – qualification and professional skills; c_4 – entrepreneurial abilities; c_5 – life experience and skills; c_6 – worldview and consciousness; c_7 – morality and ethics; c_8 – spiritual maturity.

Thus, labour potential is the opportunities of society in the field of labour. Labour potential includes all persons possessing abilities, knowledge, skills, qualifications, sufficient to participate in production. Labour potential is the most active, most creative factor that ensures the continuous progress of the country's economy on the path of reforms and transformations. This factor, determined by the level of economic and social development of society, in turn, has an impact on development of society.

The study of properties of labour potential is of particular importance, since it has specific features consisting of different, branch and territorial systems differing from each other.

1. *Labour potential of an employee* is the employee's abilities, which determine the boundaries of his participation in the labour activity, the quantity and quality of labour available to the employee. The labour potential of an employee is manifested through his personnel potential. The basis of the labour potential of an employee is the qualities laid down by nature (opportunities for health, creative abilities)

2. *Institutional potential* is the quantity and quality of labour available to the organization's labour collective at a given level of scientific and technological progress. The labour potential of an organization is a concrete form of human activity, which manifests itself in the form of individualized labour power, combining the qualitative and quantitative characteristics of human resources of an enterprise. In other words, this is a general assessment of personal and professional capabilities of an enterprise staff.

3. *Labour potential of a society* is the general working capacity of a country. It can be considered as the human resource potential of a society that possesses qualitative and quantitative characteristics (such as the number of the able-bodied population, labour resources, working time, health, physical abilities, education and qualifications).

According to this point of view, labour potential is considered at the micro and macro levels, which are characteristic of the employee, organization and society as a whole. An aggregate of physical and spiritual abilities of a person is the basis of the labour potential of a flourishing community or organization, which is the result of social, that is, the joint work of different people. Labour potential can be distinguished at micro, meso and macro levels. At the micro level, labour potential is considered within the framework of a certain organization, at the meso level – within a specific industry and at the macro level – across the country.

The labour potential of an enterprise (organization) represents the maximum possible use of labour of workers in production, taking into account their psycho-physiological characteristics, level of professionalism, qualification, production experience, with the most favorable organizational and technical conditions of labour. In this case, not only quantitative, but also qualitative indicators are of particular importance.

Quantitative indicator reflects the number of employees (main and service personnel), the number of working days, duration of working hours, as well as the number of days and hours worked by an employee. These indicators can be used for determining the level of employee benefits, amount of implemented work, time spent on production, and productivity.

Qualitative indicators reflect age, gender, education, professional qualifications and employee experience. As well as, the distribution of personnel in the staffing table for administrative, managerial, special, service and auxiliary can be considered as quality indicators. The higher the quality indicators of the organization's personnel, the more successful is the business. The labour potential of an individual worker (personal labour potential) forms the basis for formation of total labour potential of higher structural levels – organizations, industry, region, the whole society.

An enterprise with high labour potential has a high competitiveness, for development of an organization is ensured by qualified personnel. Therefore, in a market economy, enterprises seek to hire qualified workers and even fight for them. In this struggle, the main advantage is favorable working conditions and high wages. Thus, the harmony and proportionality of quantitative and qualitative indicators are the main factors for development and efficiency of the enterprise.

The labour potential of a region (territory) is a dynamically developing interconnected aggregate of quantitative and qualitative characteristics of the able-bodied population that forms the present and future development of a flexible labour market and achievement of strategic goals of regional development in specific socio-economic conditions. The labour potential of the region is a complex system.

Structuring of labour potential is carried out in the unity of spatial and temporal characteristics, which allows concentrating in itself at the same time three levels of ties and relationship:

– the first level reflecting the past, i.e. representing an aggregate of properties accumulated by the system in the process of its establishment and causing its ability to function and develop;

– the second level, which characterizes the present from the point of view of practical application and use of available abilities;

– the third level, focused on development in the process of labour activity, where the employee not only realizes his abilities, but also acquires new skills.

According to the known methodology, the parameters of labour potential are divided into two groups:

– parameters characterizing the socio-demographic components of the labour potential of the enterprise's collective: gender and age structure, education level, family structure, health status, etc.;

– parameters of production components of the labour potential: professional qualification structure, increasing and updating the professional level, creative activity.

Based on the analysis of existing methodologies for assessing labour potential, a system of estimates and a calculation algorithm were obtained. The matrix of the known methods for assessing the labour potential of the region is presented in Table 5.4.

Approaches to the calculation of labour potential are divided into three interrelated groups:

– natural approach, in which the labour potential is defined as a resource expressed in natural units of measurement (man-days, man-months, man-years);

– cost approach, taking into account the cost of labour potential, expressed in monetary terms;

– relative approach based on the account of synergistic characteristics of the labour potential and the demand for labour in this situation.

Table 5.4

Matrix of methods for assessing the labour potential of the region

Indicators	Methodological approaches					
	Natural		Monetary		Relative	
Quantitative	Resource	Temporal	Costly	Productive	Score	Combined
Qualitative	Number of labour resources	Working time fund	Wage	Value added	Quantitative gradations	Efficiency of labour resources
Migratory	Qualification number	Quality of the working time fund	Cost of training	Product innovation	Qualitative graduations	Efficiency enhancers
Integral	Labour migrants resources	Migrant working time fund	Cost of attracting migrants	Value added migration	Labour resources substitution	Efficiency of migration resources
Generalized	Total number	Total working time fund	Total costs	Total value added	Overall score	Overall effectiveness
	Calculation of the integral labour potential of the region					

Among the indicators for assessing labour potential, it is necessary to distinguish the following groups: quantitative, qualitative, migration and integral. The analysis of the presented matrix shows that such indicators as quantitative and migratory it is reasonable to calculate using natural and cost approaches. Qualitative and integral indicators reflect the most relevant index system as the basis of relative approach. Generalized indicators of labour potential are determined by a rational combination of integral indicators taking into account external and internal factors. It should be noted that most of the known methods of labour potential assessment belong to the enterprise, and there are very few methodological developments in assessing the potential of the region, country, group of countries, relative estimates.

Thus, the regions of the Republic of Uzbekistan differ in terms of history, natural climatic conditions, geographic features of relief, demography, economy, social situation and level of urbanization. Therefore, the labour potential of each of them is unique and different from the others. The sphere of economic development, which is most developed in the region, determines the main share of labour potential, employment and specialization.

CHAPTER VI.

HUMAN CAPITAL AND HUMAN DEVELOPMENT

6.1. General concepts about investing in human capital

Formation of human capital is the process of creating human productive abilities through investments in the specific process of life. At the same time, investment is carried out in two ways: as an investment of funds and resources, and as an expense of time and effort, that is, as certain type of human activity.

Investments in human capital are any actions that increase the professional qualifications and productive abilities of a person and thereby the productivity of his work. Costs that contribute to increasing human productivity can be considered as an investment, since current costs are realized with the expectation that they will be more than once compensated for by an ever greater income stream in the future.

Employees identify three main types of investment in the labour market: education and training, migration, and search for new jobs. Each of them requires initial costs, and in all three workers hope to recoup these investments at the expense of their future profits. To designate the distinctiveness of these investments, like others, economists have called them "investments in human capital". From this it follows that employees will improve their skills through these investments in order to receive future income. Knowledge and qualifications of employees are considered as one of the most important assets in production capital. The value of production capital is estimated by how profitable this or that qualification in the labour market is. Job seeking and migration are also human capital, which will increase due to an increase in wages.

Human capital, having the characteristics of other forms of capital, has its following features:

– manifestations of human capital have intangible character (knowledge, skills, abilities);

– human resources become capital in the process of their interaction with the means of production;

– the main difference between human capital and real capital is that human capital is associated with a person and cannot be transferred in isolation from him and without his will or inherited, like money and tangible values, but can be used in the intrafamily, intrafirm production of next generation human capital;

– human resources are non-waste unlike raw materials.

From the point of view of the nature of promoting the economic welfare of society, consumer and productive human capital is distinguished.

Consumer capital creates a stream of services consumed directly, and thus contributes to public utility. This may be a creative and educational activity. The result of such activity is expressed in provision of such consumer services, which lead to the emergence of new ways of meeting the needs or improving the effectiveness of existing methods.

Productive capital creates a stream of services, the consumption of which promotes public utility. In this case, this refers to scientific and educational activities that have direct practical application in production (creation of means of production, technologies, production services and products).

According to the form of training employees in the workplace, a special human capital and total human capital can be identified. *Special human capital* includes skills and knowledge acquired as a result of special training and of interest only to the firm where they were acquired. Unlike special human capital, *total human capital* is knowledge that can be used in various spheres of human activity.

Investment in human capital is any measure taken to increase labour productivity. Thus, the investment in human capital includes the cost of maintaining health, to obtain general and special education; costs associated with finding a job, professional training in production, migration, birth and upbringing children, finding economically relevant information about prices and earnings.

The total wealth of society depends on human capital and other types of capital. If human capital consists of investments in education, training and migration, other types of capital are natural resources, real estate and technology.

Investment in human capital at the family level is very important, since all the components of human capital are acquired and increased through the investments that the family invests in the child. After all, human capital is formed since childhood. Development of abilities in a child enables him to freely manage his talents, to invest as much as possible more concepts, skills, and abilities. The amount of human capital acquired in the process of learning depends on innate abilities. The main period of human capital formation is age from 13 to 23. During this period, nature itself gives the growing body a surge of tremendous energy. This energy needs to be converted, i.e. improve health, acquire education, learn to set and achieve goals in life, overcome obstacles, etc.

And by investing in their employees, enterprises seek to activate their labour returns, increase labour productivity, reduce the loss of working time and thereby strengthen their competitiveness. The funds are invested in the organization of training and retraining courses, go to pay for expenses of employees for treatment and preventive measures, for construction of sports and recreation centers, kindergartens, etc.

A person can become a skilled worker by acquiring human capital, which is characterized by a high content of knowledge, promotes innovation and development of new ideas. Formed human capital provides a person with a stable income, status in society, self-sufficiency.

Like other investments, investments in human capital imply future profit. In general, investment costs in human capital can be divided into three categories:

1) *direct investments* include the cost of education, books and other educational materials;

2) *lost investments* – the inability to participate in the labour market while studying (at least part-time);

3) *physical costs* associated with the fact that the process of learning a profession is difficult and long.

Investments in employees for education and training expect a higher income.

In general, when an investor makes a decision on investing, naturally plans to get higher returns in the future. In this case, the investor takes a certain risk (it is difficult to know in advance all the circumstances). Therefore, he must correctly calculate the degree of risk and the possibility of making a profit on their investments.

Differences in income among workers with different levels of education only increase with time. This is directly related to the theory of human capital. Educated people have higher skills and abilities for effectively carrying out their work, have a wider arsenal of means to solve problems and overcome difficulties. They are also better suited to perform more complex work, which is often associated with higher wages and greater economic benefits.

Investing in human capital (all types of costs that are expedient and determine the future income of a person) is a two-way process. On the one hand, this is a process for people to use the acquired knowledge and skills for productive purposes, social and public activities. On the other hand, it is a process of expanding human capabilities through health promotion, acquisition of knowledge and improvement of professional skills.

Of all types of investments in human capital, investments in health and education are the most important. General and specialized education improve the quality, increase the level and stock of human knowledge, thereby increasing the amount and quality of human capital. Investment in higher education contributes to formation of highly qualified specialists, whose labour has the greatest influence on the rate of economic growth.

When analyzing human capital, it is necessary to distinguish between gender characteristics. The average income is usually less among women than among men of the same age, education and labour conditions. The main factor of investing in human capital for women and men has historically been associated with duration of labour activity. This is related to the role of women in raising a child and managing the household. But in recent years there have been qualitative changes in the labour market. The proportion of women in such areas as business, jurisprudence and medicine has significantly increased.

6.2. EMERGENCE AND DEVELOPMENT OF HUMAN CAPITAL THEORY

The history of the world economy shows that physical capital – the means of production, material resources, etc., played a major role in production process until the beginning of the 20^{th} century, since during this period labour power was used as one of the additional technology resources. It was easy to train staff and change it.

However, the objective process that began in the middle of the 20^{th} century radically changed the situation. Accelerated development of science and technology forwarded into the first place the knowledge and skills, mastery and abilities of a man. Man became the immediate driving force of economic development.

This indicated a radical change in social relations. The growth of the human factor in production has led to changes in society. Employees began to participate in management of enterprises through the distribution systems of the results of their work, participation in profits, the number of cooperative enterprises and their efficiency increased.

As a result, the category of "*human capital*" began to be formed in economics. Its appearance was a response to the needs of the economy associated with science and everyday needs. An in-depth study of the pace of development of society and the economy, as well as the intellectual potential accumulated by it, has become paramount necessity.

William Petty, along with the land and the income from rent, capital and profit (interest) brought by it, included labour, qualifications and the state of human health. According to the scholar, the amount of human capital is estimated by the capitalization of his income during labour life.

Adam Smith and other representatives of classical economic theory also recognized the concept of human capital. In 1776, A. Smith in his book "Research on the nature and causes of the wealth of nations" emphasized that "The improved dexterity of a worker can be considered in the same light as a machine or trade instrument that, in addition, reduces labour and that, although it costs a certain expense, pays that expenditure with a benefit".

One hundred years later, Alfred Marshall analyzed the effectiveness of long-term investments in human capital and the role of a person in this process.

Indeed, the statistics of the economic growth of developed countries of the world have shown that indicators of investment in human capital are significantly higher than other indicators of classical development factors. An analysis of the process of economic development and growth indicates that human capital has become the main production and social factor in development of modern economy and society.

The encyclopedic definition of capital (from French and English, "*capital*" and Latin "*capitalis*") means "that, what is capable of generating income or resources created by people for production of goods and services"[1].

The term "capital" is usually used in relation to the product of labour intended for use in future production. The process of creating capital is called *investing*. Investing means the initial expenditure of funds, and subsequently covering these costs.

Initially, human capital meant only an aggregate of investments in a person, increasing his ability to work, i.e. in education and professional skills. Later, the concept of human capital expanded significantly. According to the latest conclusions of the World Bank experts, consumer spending is included in human capital – families' expenses for food, clothing, housing, education, healthcare, culture, as well as government spending on these goals.

Summarizing the above, we can say that human capital in the narrow sense includes the intellect, health, knowledge, qualitative and productive labour of a person, as well as the quality of his living.

Human capital in a broad sense is an intensive production factor of economic development, development of society and family, the educated part of the labour power, intellectual and managerial labour, living environment and work. As a productive factor of human capital, they should ensure their efficient and rational functioning.

According to the theory of human capital, people can invest in themselves and expand their capabilities, and the state can increase national income by investing in enriching human capital. The effectiveness of such investments will be reflected in reimbursement of the money spent by increasing the productivity of labour and raising wages.

In a broad sense, capital means a concept that includes all elements of social wealth used in production and income-generating. This, by definition of T. Schultz, allows us to consistently divide capital into human capital and material capital.

[1] Encyclopedia of Economics / Ch. ed. L.I. Abalkin. – M., 1999. – P. 271.

To clarify the concept of human capital, it is necessary to distinguish between physical and human capital. These two types of capital are, to a certain extent, similar, especially in terms of what the initial costs are assumed to be with the subsequent income. At the same time, human capital has its own unique features. Unlike physical capital, human capital is directly related to the person himself. In a free society, only a person can have human capital.

This form of capital depreciates in case of illness of its owner, may be lost in case of death. All this suggests that investment in human capital is riskier than investment in physical capital.

The inability to transfer human capital to others also points to its inextricable link with the owner. A person can use his capital based on his convictions, inclinations and life values. In practice, there may be a large gap between the stock of human resources and its use in the labour market.

Real capital has a direct tangible form of buildings and, land and other natural resources, stocks of tangible and commodity values. Intangible capital, not having a material form, is embodied in physical capital and can improve the quality or efficiency of this capital. These two basic types of capital, in turn, are divided into capital embodied in people and human capital.

Material capital embodied in people is expenses that are necessary for formation of personality, i.e. costs of raising children. Economist J. Kendrick includes in intangible capital the basic education and special training, healthcare costs and labour mobility. Intangible capital embodied in man, includes research and scientific research[1].

T. Schultz made an enormous contribution to formation of theory of human capital at the initial stage of its development, to its adoption by the scientific community and popularization. He was one of the first to introduce the concept of human capital as a productive factor. And he did a lot to understand the role of human capital as the main engine and foundation of the industrial and post-industrial economy.

Schultz considered the main results of investments in man to be the accumulation of people's abilities to labour, their effective creative activity in society, maintenance of health, etc. He believed that human capital has necessary characteristics of a productive nature. Human capital is able to accumulate and reproduce. According to T. Schultz, not 1/4 of the total product produced in society is used for accumulation of human capital, as follows from most reproduction theories of the 20th century, but 3/4 of its total size.

One of the founders of this theory, G. Becker, was the first to transfer the concept of human capital to the micro level. He defined the human capital of an enterprise

[1] Kendrick J. Formation and stocks of total capital. – M.: Progress, 1976. – P. 113.

as a set of human skills, knowledge and abilities. As investments in them, he took into account mainly the costs of education and training.

G. Becker introduced a distinction between special and general investments in humans. And highlighted the special importance of special education, special knowledge and skills. Special training of workers forms the competitive advantages of the company, the characteristic and significant features of its products and behavior in the markets, ultimately, its know-how, image and brand. In special training, firms and corporations themselves are primarily interested, and they finance it. These works of Becker became the basis for creation of the modern theory of the company and competition.

The scientist estimated the economic efficiency of education, first of all, for the worker himself. Additional income from higher education he defined as follows. From the incomes of those who graduated from college, he deducted the incomes of workers with secondary general education. The costs of education were considered as direct costs, and alternative costs – lost income during training. The return on investment in education G. Becker estimated as the ratio of income to cost, receiving approximately 12-14% of annual profits.

The practical significance of these studies lies in the fact that G. Becker determined the profitability of investments in a person and compared them with the actual profitability of most firms of the United States. This helped to concretize and expand the idea of the economic efficiency of investment in human capital. The emergence of a large number of private education institutions, intensification of the activity of consulting firms conducting short-term workshops and specialized courses, indicate that the profitability in the private sector of educational activity is not at all lower than in other areas of entrepreneurship. For example, in the United States in the 60s of the 20th century, the profitability in the field of education by 10-15% exceeded the profitability of other types of commercial activity.

Highlighting the human capital category separately from the production structure allows to conduct more structured analysis (Fig. 6.1).

According to the classification of the American economist Y. Ben-Porath, human capital consists of the following components:

1) qualitative properties and abilities of people involved in formation of human capital;

2) part of the capital that is offered in the market and introduced into the production of other things and provision of services[1].

G. Becker introduced the concept of "special human capital". This category, in contrast to the "common human capital", is a combination of knowledge and

[1] Ben-Porath. The Production of Human Capital and the Life Cycle of Earnings. – N.Y.; L, 1970. – P. 49.

skills that were acquired as a result of special training and will benefit production only for own enterprise.

S. Fischer pointed out that human capital is a criterion embodied in a person capable of generating income. Human capital consists of innate abilities and talent, as well as acquired education and qualifications[1].

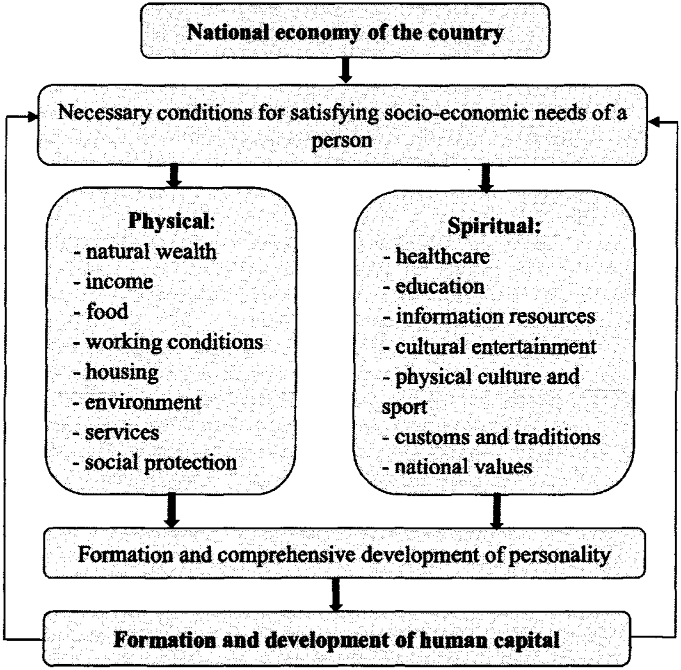

Fig. 6.1. Formation and development of human capital

Some scientists have their own points of view on the components of human capital, considering them as the possibilities of its owner to participate in the production process. In particular, O. Nordhaug emphasizes that from the point of view

[1] Fischer S., Dornbusch R., Schmalensee R. Economics. – M.: Unity, 2002. – P. 21.

of analysis, it is useful, on the one hand, to distinguish the health and qualifications of workers, and on the other, their motivation and commitment to the firm. The first two elements constitute the ability of an individual employee to perform the assigned tasks, i.e. – the basic ability to labour activity. The two following elements show what functions he will perform at work according to his qualifications. Ability and desire in unity form the ability of the employee to work.

For a broader analysis of human capital, it is necessary to take into account the methodological principle of the functional approach, which develops the ideas of the classical management theory, enriching them with ideas of behavioral, systemic and situational approaches.

There is also an opinion that human capital is a certain reserve of health, knowledge, skills, talent and motivations formed by investment and acquired by a person. This reserve can be effectively used in a particular area of social production, thereby contributing to an increase in labour productivity, which affects an increase in a person's income.

1. *Cultural and moral capital* is the model of behavior and the value system of the individual, determining the nature of its implementation in the process of labour activity. This is a set of intellectual abilities, education, skills, experience, moral qualities, qualification training of an individual.

2. *The capital of health* is an investment in a person, carried out with the purpose of forming, maintaining and improving his health and efficiency. The state of human health is his natural capital, part of which is hereditary. The other part is acquired as a result of costs of the individual and society. Investments in health, its protection, contributing to the reduction of diseases and mortality, prolong the working life of a person, consequently, the time for the functioning of human capital.

3. *Labour capital.* Its indicators are the level of professional education, professional experience, combination of professions, professional achievements and growth, etc. In all developed countries, the proportion of skilled workers has significantly increased and the proportion of workers engaged in unskilled hand-work has fallen sharply. Costs of both the state and firms for professional training are rising.

4. *Education capital* is the most important component of human capital. Education is one of the factors of the country's economic growth, and for the individual it acts as a social benefit, the basis for formation and improvement of a person.

5. *Intellectual capital* is capital embodied in people in the form of their education, qualifications, professional knowledge and experience. Sometimes it is also called personal intellectual capital, since it belongs to specific individuals in the form of accumulated professional knowledge that determines their level of competence.

6. *Organizational-entrepreneurial capital* is the entrepreneur's own capital (form and assessment), presence of property rights to limited resources (land, minerals, projects), organizational privileges and trade secrets (know-how), rating of organizational experience and achievements of an an entrepreneur.

The quality of entrepreneurial skills is assessed according to the efficiency of capital use and the sustainability of the progressive development of business. The intervals of profitability of capital investments and the rate of economic growth of companies indicate a real capitalization of organizational and entrepreneurial abilities. Organizational-entrepreneurial capital is one of the most promising and important types of human capital. Investments in its development are increasingly productive. This is primarily explained by the fact that structural capital can be represented as embodied knowledge, since most of its elements, software, organizational structure, patents, relations with counterparties are the results of human consciousness.

The above types of human capital are *inalienable types of human capital*. Inalienable types of human capital are illiquid, since they are not separate from the person and cannot be fully converted into money. A person, entering into labour relations as an employee or entrepreneur, sells only a part of his capabilities – the ability to work or perform other labour and official duties. Revenues from inalienable human capital are wages (payment for labour) or business profits, as well as pension savings.

And *alienable types of human capital* are liquid to a greater or lesser extent, since they do not belong to a specific person or economic subject (firm, industry, region, state, etc.), but appear only if economic relations with these subjects are executed. Revenues for these types of capital can be received as an inflow of economic revenues, either as a reduction of expenses or repayment of obligations (due to competitive or other advantages in settlement operations, more rational use of tangible resources, etc.).

The alienated types of human capital include:

– *socio-cultural human capital*. This capital reflects the integration and cooperation cultural qualities, and the abilities of workers, the presence in social reproduction of permanent information, scientific, educational, technological flows;

– social capital is the ability of the individual to realize their individual labour potential; can be defined as a set of public relations that minimizes the operational costs of information across the entire economy. Social capital is connected with the fact that every economic entity is integrated in any way into the system of social relations. This type of human capital has a number of specific features: firstly, it is always the result of organized relations, therefore it is not private, but social; secondly, social capital cannot be private property, since it is an integral part of the organizational and social system.

There are two levels of social capital:

1. *Structural capital* – the ability of the company to manage its production and organizational structure, adapting to the changing market conditions and at the same time changing it in a direction that is favorable for the company.

2. *Organizational capital* is a systematized and formalized competence of a company, i.e. the information, knowledge and capabilities that the organization owns as a whole, and not its individual employees, as well as the systems of creative efficiency and organizational capabilities aimed at creating a product. Organization capital covers:

– *innovative capital* – protected commercial rights, intellectual property and other intangible assets, as well as values that provide opportunities for the renewal of the company;

– *process* capital is for example, production, sales of products, after-sales service system, i.e. capital, forming the cost of production.

The above-mentioned structure of human capital characterizes the diversity of the person himself. Despite the integrity and non-divisibility of material and human capital within productive capital, human capital is becoming increasingly important, it retains the value of physical capital consumed and creates new value that pays back the cost of labour power and benefits the capital owner.

The value of human capital is higher than natural resources and material wealth. Therefore, human capital is a key factor in economic growth and productivity. The concept of human capital as an economic category is constantly expanding with the development of the global information society and the "knowledge economy". At present, human capital is an active production factor for development of intellectual labour in the economy, living conditions, as well as development of society and family. This ensures the development of human capital as an efficient and rational factor of production.

According to the theory of human capital, the accumulation of human capital can be carried out in various forms. The main ones are capital accumulation based on the skills and knowledge acquired during the training. Family education is also in this row.

There are other types of capital accumulation. Taking care of one's own health (investment), migration, the economy, obtaining information about the labour market, as well as development of human intellectual and physical abilities, contribute to an increase in labour productivity.

Regardless of sources of formation of human capital (government, family, individuals, etc.), its use and income from it are controlled by the person himself.

The capital of an individual is his health, wellbeing, abilities, knowledge and skills. A person's value increases with age and is used to increase labour productivity, while simultaneously increasing personal capital growth and encouraging people to invest in development of their own abilities.

In this regard, it should be noted that there are a number of controversial issues in the theory of human capital at both the practical and theoretical levels. According to the theory, each person correctly estimates the reimbursement of investments in their own human capital by increasing future wages. However, despite the fact that you have certain skills and professions, many economic and even political factors can affect the size of your salary.

The second problem is connected with the empirical value of the theory of human capital. Some researchers proved that spending on components of human capital, such as education, could affect wage changes. However, if such a factor as motivation is not taken into account, then confidence in repaying investments in human capital may not be justified.

Investments in human capital can be partially used ineffectively, in contrast to the invested physical capital, which is used only for the purpose of developing production. Therefore, not all investments are investments. For example, many students who are engaged in history, visual arts and literature are not doing this in order to increase their productivity. Such issues complicate the calculation of the value and amount of funds invested in human capital.

At the same time, the human capital market, like any investment market, is not without drawbacks such as:

– relatively free mobility of labour resources reduces the desire of employers to invest in their development;

– lack of information about the value of education among young people leads to inadequate or insufficiently high investments in human capital;

– a significant part of the population does not have enough funds to invest in itself.

Because of these and some other shortcomings in the investment market in human capital, it is impossible to conclude that market mechanisms themselves will regulate these circumstances. Therefore, it is imperative that the government takes a direct part in investing in human capital.

Research by World Bank experts in 192 countries showed the effectiveness of this approach and showed the following results:

– more than 64.0% of the total economic growth is due to human capital;

– natural resources of the country provide only 20.0% of the total economic growth;

– in countries with transitional economy, the production capacity of the country provides only 16.0% of the total economic growth.

These data convincingly prove the role and importance of human capital in modern society.

6.3. SCIENTIFIC VIEWS ON HUMAN CAPITAL AND HUMAN DEVELOPMENT

The American scientist and economist E. Denison analyzed the economic development of the United States in the 20th century and found out that almost only half of the growth of national GDP was due to technical renewal and expansion of the use of labour resources and production equipment. The fact that the second half of the economic growth was the merit of scientists, put serious questions before the researcher.

T. Schultz was the first to receive the Nobel Prize in Economics in 1979 for his research in this area. He argued that the United States labour resources data is crucial for the country's economic growth. The scientist proved that if the result of investments aimed at improving and increasing production efficiency became technical progress, the level of quality of work is also the result of additional funding for education.

T. Schultz considered human capital as a source of future income. In his opinion, human capital, although it functions as physical capital, there are some fundamental differences between them. The most important of them is that human capital is not separate from its carrier.

Theodore William Schultz (902–1998) was an American scientist and economist. Founder of the Chicago School of Economics.
Works:
Human Capital in the International Encyclopedia of the Social Sciences. – N.Y., 1968. – Vol. 6. Schultz T. Investment in Human Capital. – N.Y.; London, 1971

That is why the market sets the price for the "rent" of human capital (in the form of wage rates), but its asset value does not exist. This complicates the analysis of human capital. Secondly, human capital is able to increase the efficiency of activities both in the market and in areas unrelated to the market, and the income derived from it can take both monetary and non-monetary forms[1].

[1] Schultz T. Human Capital in the International Encyclopedia of the Social Sciences. – N.Y., 1968. – Vol. 6.

For a significant contribution to economics, the Nobel Prize was awarded to another American economist also, G. Becker, who in 1964 published his most important work, Human Capital: A Theoretical and Empirical Analysis with Special Reference to Education. He identified educational capital (general and specialized knowledge), healthcare capital and professional training capital (qualification, production experience), migration capital, as well as possession of information of economic importance and motivation for economic activity in human capital.

He believed that the income from the education expenses of students their parents compare with the income from alternative investments (bank interest rates, dividends from securities, etc.). He introduced a special concept of "human capital". This category is a set of knowledge and skills that, in contrast to the "common human capital", is the result of special training and is beneficial only for production of its enterprise[1].

Gary Stanley Becker (1930–2014) was an American economist, one of the important representatives of the Chicago school, winner of the 1992 Nobel Prize in economics.
Major works:
Human Capital. – N.Y.: Columbia University Press, 1964.

In economic theory, human capital is treated in the same way as a certain reserve of health, knowledge, skills, abilities and motivation of a person formed through investments. This reserve can be effectively used in one or another sphere of social production, which contributes to an increase in labour productivity and affects the increase in the salary of this person.

Types of human capital are also characterized in terms of costs and investments. On this basis, economists have developed the following formula for human capital:

$$Hc = Ec + Hc + Cc,$$

where Ec is educational capital; Hc – health capital; Cc – cultural capital.

According to the theory of human capital, people can invest and expand their capabilities, and the state can increase national income by investing in improving human capital. The effectiveness of such investments will be reflected in

[1] Becker Gary S. Human Capital. – N.Y.: Columbia University Press, 1964.

reimbursement of money spent by increasing labour productivity and raising wages. Human capital is divided into the following levels:

1. *Human capital of an individual* is his health, abilities, knowledge and skills. A person's value increases throughout his life and is used to increase productivity, while simultaneously increasing personal income growth and encouraging people to invest in increasing their abilities.

2. *In the human capital of an enterprise* today, a special role is played by a trademark, personnel, such intangible assets as new technologies. This capital may also include assets of personal human capital (licenses, patents, copyright certificates), intangible assets (trademarks), organizational capital, structural capital, brand capital and social capital.

3. *National human capital* covers social, political capital, national intelligence priorities, national competitive advantages and the natural potential of the nation. The national human capital is more than half of the national wealth of a developing country and 70.0-80.0% of the developed countries of the world.

There are three main elements in the modern theory in the human factor:

1) human capital, which corresponds to the income for this capital;

2) natural abilities, which corresponds to the rent for these abilities;

3) pure labour.

The above elements together characterize labour in a generally accepted sense, and the first two characterize human capital.

Qualitative changes in the modern innovative economy show a sharp increase in the value of human capital. According to experts, over the past 100 years, the share of physical labour in the world has fallen from 90% to 10%. It is predicted that this figure will drop to 5% in the next few years. In the 80s of the 20th century, a conclusion was made that a man is not only the creator of social benefits, but also the most important subject of social wealth. A. Marshall wrote, "...man himself is the chief means of the production of that wealth of which he is the ultimate aim"[1].

In 1987, the United Nations Development Programme (UNDP) decided to conduct a study on the cost of human resources in structural adjustment. The authors of this study are the British economists Kate Griffin and John Knight, as well as Mahbub ul Haq, who served as Minister of Finance of Pakistan in 1982-1988. They published a draft report entitled "Human Development in the 1980s and Beyond"[2].

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[1] Marshall A. Principles of Economics / Online Library of Liberty. 8th ed. – 2011. – P. 105.

[2] Griffin K., Knight J., M.ul Haq. «Human Development in the 1980s and Beyond». // Journal of Development Planning 19 (Special number) (1989).

A fundamentally new approach to a general theory of development has created a theoretical and conceptual basis for human development, which was reflected in Global Human Development Report of the United Nations of 1990. Famous French economist, Nobel Prize winner Maurice Allais said that "in a democratic and humane society, the ultimate goal and focus of attention is not the state, but man"[1].

Maurice Félix Charles Allais (1911–2010) was famous French economist. Winner of the Nobel Prize in Economics.
Works:
Economics as a science. – M.: Science for society, RSUH, 1995;
The Globalization: The Destruction of employment and growth. The Empirical obviousness. – M.: TEIS, 2003

These and other ideas were combined by expert groups of the United Nations Development Programme (UNDP) and created the basis of a conceptual approach to the issue of human development. In 1990, UNDP published the first report assessing the economic and social progress of the countries of the world, which formulated the concept of human development: "Human development is a process of enlarging people's choices. The most critical of these wide-ranging choices are to live a long and healthy life, to be educated and to have access to resources needed for a decent standard of living. Additional choices include political freedom, guaranteed human rights and personal self-respect"[2].

In Human Development Report of 2010, the definition of the concept "human development" was substantially supplemented. According to the authors of the project, the description of enlarging people's choices is fundamental, but not enough. Human development is about sustaining positive outcomes steadily over time and combating the process that impoverish people or underpin oppression and structural injustice. Plural principles such as equity, sustainability and respect for human rights are thus key.

Based on this, experts of the organization proposed a reaffirmation consistent with development practice on the ground and with the academic literature

[1] Allais M. Economics as a Science / translation from French. – M.: Science for society, RSUH, 1995. – P. 15.

[2] UNDP: Human Development Report 1990. – URL: http: //www.undp.org.

on human development and capabilities: *"Human development is the expansion of people's freedoms to live long, healthy and creative lives; to advance other goals they have reason to value; and to engage actively in shaping development equitably and sustainably on a shared planet. People are both the beneficiaries and the drivers of human development, as individuals and in groups".*

Thus stated, human development has three components:

Wellbeing: expanding people's real freedoms – so that people can flourish.

Empowerment and agency: enabling people and groups to act – to drive valuable outcomes.

Justice: expanding equity, sustaining outcomes over time and respecting human rights and other goals of society[1].

This concept implies a two-pronged approach to human development. On the one hand, human empowerment through health promotion, mastering knowledge, improving skills and, on the other hand, the use of human abilities for production, cultural, political activities and leisure activities. In other words, this concept considers human development not only for the purpose of forming resources and increasing tangible wealth for productive activities.

The core values and principles of human development were proclaimed in the United Nations Millennium Declaration, adopted by General Assembly resolution 55/2 of September 8, 2000. In this Declaration, it was noted that a number of fundamental values are important for international relations in the 21st century. These include (Fig. 6.2):

Freedom. Men and women have the right to live their lives and raise their children in dignity, free from hunger and from the fear of violence, oppression or injustice. Democratic and participatory governance based on the will of the people best assures these rights.

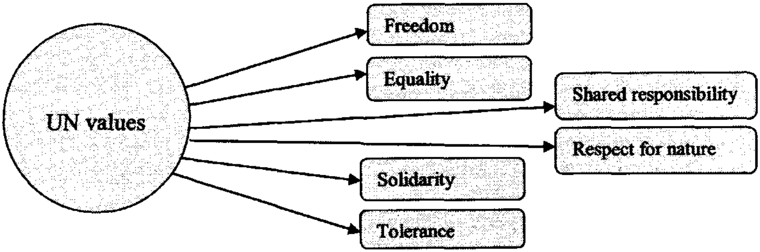

Fig. 6.2. Values proclaimed by the United Nations

[1] Human Development Index. Humanitarian Encyclopedia / Centre for Humanitarian Technology, 2006–2019. – URL: https://gtmarket.ru/ratings/human-development-index/human-development-index-info.

Equality. No individual and no nation must be denied the opportunity to benefit from development. The equal rights and opportunities of women and men must be assured.

Solidarity. Global challenges must be managed in a way that distributes the costs and burdens fairly in accordance with basic principles of equity and social justice. Those who suffer or who benefit least deserve help from those who benefit most.

Tolerance. Human beings must respect one other, in all their diversity of belief, culture and language. Differences within and between societies should be neither feared nor repressed, but cherished as a precious asset of humanity. A culture of peace and dialogue among all civilizations should be actively promoted.

Respect for nature. Prudence must be shown in the management of all living species and natural resources, in accordance with the precepts of sustainable development. Only in this way can the immeasurable riches provided to us by nature be preserved and passed on to our descendants. The current unsustainable patterns of production and consumption must be changed in the interest of our future welfare and that of our descendants.

Shared responsibility. Responsibility for managing worldwide economic and social development, as well as threats to international peace and security, must be shared among the nations of the world and should be exercised multilaterally. As the most universal and most representative organization in the world, the United Nations must play the central role [1].

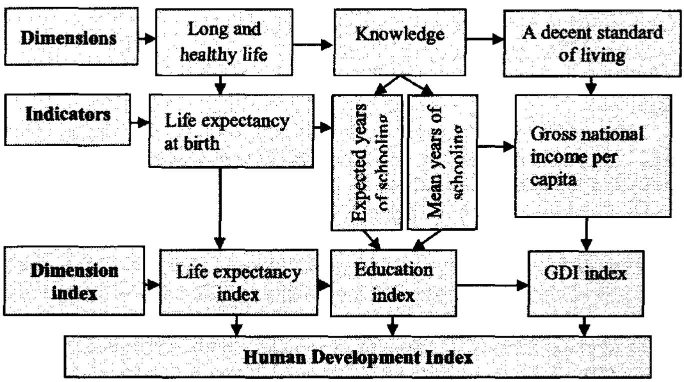

Fig. 6.3. Human Development Index

[1] United Nations Millennium Declaration: http://www.un.org/ru/documents/decl_conv/declarations/summitdecl.shtml.

To assess the quality of life in different countries of the world, the Pakistani economist Mahbub ul Haq developed an integral indicator – the *Human Development Index*. The Human Development Index (HDI) is a combined indicator characterizing human development in countries and regions of the world. It is calculated annually by UNDP experts together with a group of independent international experts who use, in addition to analytical work, statistical data from national institutions and international organizations (Fig. 6.3):

The Human Development Index HDI is defined as the composite statistics used to rank countries by levels of human development. The HDI is a measure of health, education and income. It measures the average achievements in a country in these three basic dimensions of human development, calculated into an index:

– Health – life expectancy at birth;

– Education - expected years schooling for school-age children and average years of schooling in the adult population;

– Income – measured by Gross National Income (GNI) per capita (PPP US$).

These three dimensions are standardized in the form of numerical values from 0 to 1, the geometric mean of which is a total HDI index in the range from 0 to 1. Then the states are ranked on the basis of this indicator.

Data on Human Development Index (HDI) for UN members have been published since 1990. In these calculations it is defined as the arithmetic average of three indicators: life expectancy, level of education, real GDP per capita (gross domestic product).

HDI equal to 1, will have a country in which:

– average life expectancy is 85 years;

– GDP per capita (at purchasing power parity) is equal to 40 thousand US dollars;

– 100% of the adult population are literate, and all who reached the corresponding age attend elementary or secondary school or study in a higher or secondary special education institution.

HDI equal to 0, will have a country in which:

– average life expectancy is 25 years;

– GDP per capita (at purchasing power parity) is equal to 100 US dollars;

– 100% of the adult population are illiterate and no one gets any education.

In general, the human development index (HDI) is calculated using a simple arithmetic average formula for the life expectancy index, education index and adjusted real GDP index per capita:

$$\text{ІЛР}(HDI) = \frac{I_{life} + I_{educ} + I_{inc}}{3}.$$

Life expectancy index (I_{life}) is calculated by the formula

$$I_{life} = \frac{X_i - X_{min}}{X_{max} - X_{min}},$$

where X_i is the life expectancy at birth of the population of the i territory; X_{Max} – the maximum value of the indicator (at the level of 85 years); X_{min} – the minimum value of the indicator (at the level of 25 years).

Index of education (I_{educ}) is calculated by the formula

$$I_{educ} = \frac{(2 \cdot I_{adult} + I_{child})}{3},$$

where: I_{adult} is the adult literacy index; I_{child} is a total share index of students in the total population of the corresponding age. The components of this index I_{adult} and I_{child} are calculated according to the same formula as life expectancy at birth. At the same time X_i means the percentage of literate among the adult population of the *i* territory in % (for calculating I_{adult}) and the total share of students in % (for calculating I_{child}); X_{max} – the maximum value of both indicators (taken at the level of 100%); X_{min} – the minimum value of both indicators (taken at the level of 0%).

The index of adjusted real GDP (I_{inc}) per capita is calculated by the formula

$$I_{inc} = \frac{\lg x_i - \lg x_{min}}{\lg x_{max} - \lg x_{min}},$$

where X_i is the adjusted real GDP per year (by purchasing power) per capita of the *i* territory; X_{max} – the maximum value of the indicator (taken at the level of 40 000 dollars a year);

Therefore, the HDI indicator for each country shows how much this country still needs to do to achieve some specific goals: an average life expectancy of 85 years, full literacy of the population, full enrollment of young people and the average annual per capita income of 40 000 dollars purchasing power parity of the national currency. These goals are closer, the closer the HDI value is to unity.

The system of numerical indicators for measuring the level of human development, which is used by UNDP, is constantly being improved. In 2010, the family of indicators that measure the HDI was expanded, and the Index itself underwent a significant adjustment. In addition to the HDI used, which is a composite indicator based on average country statistics and not taking into account internal inequality, three new indicators were introduced: Inequality-adjusted Human Development Index (IHDI), Gender Equality Index (GEI) and Multidimensional Poverty Index (MPI).

Human development index is considered as a key indicator of the effectiveness of state socio-economic policy. In other words, the state should take steps to improve the quality of life of citizens, which will be reflected in the Human Development Index, by increasing the gross domestic product. Improving the quality of life is a strategic goal of the state, which represents and protects the population. GDP growth is nothing more than a means to achieve this strategic goal.

One of the most important measurements at the international level is the measurement of the level of human development. The report of the United Nations Development Programme of September 15, 2018 presents a ranking of human development in 189 countries of the world. In this ranking, countries are divided into four groups:

Group 1 – countries with a very high level of HDI.

Group 2 – countries with high HDI.

Group 3 – countries with medium HDI.

Group 4 – countries with low HDI.

The top group 1 includes 59 countries with the highest level of human development. Among them are Norway, Switzerland, Australia, Ireland and Germany. Among them the USA is in the 13th, Japan in 19th, South Korea in 22nd, France in 24th, Russia in 49th, Belarus in 53rd, Malaysia in 57th, Kazakhstan in 58th places.

The group of countries with high HDI includes 53 states. Uzbekistan is in the 105th place in the overall ranking. In this group, Iran is in the 60th place, Turkey – 64th, Azerbaijan – 80th, Armenia – 83rd, China – 86th, Ukraine – 88th and Turkmenistan – 108th.

The group of countries with an average ranking is represented by 39 countries: Philippines the 113th, Egypt 115th, Indonesia 116th, Kyrgyzstan 122nd, Tajikistan 127th, India 130th and Pakistan 150th.

The group of countries with a low ranking consists of 38 countries. Afghanistan is in the 168th place, Burundi 185th, Chad 186th, Central African Republic 188th, and Nigeria 189th.

Such indicators as employment, level of social protection, cultural development, gender equality, crime rate, environmental protection and the degree of citizen participation in decision making are also taken into account in determining the ranking.

There are three types of human capital investment (Fig. 6.4):

1) the cost of education, including general and special, training and professional development in the workplace;

2) expenditures on healthcare (for prevention of diseases, medical services, diet food, improvement of housing conditions, serving life expectancy and increasing in labour productivity);

3) labour mobility costs, serving the transition from workplaces with relatively low productivity of labour to workplaces with higher productivity and, accordingly, with higher wages.

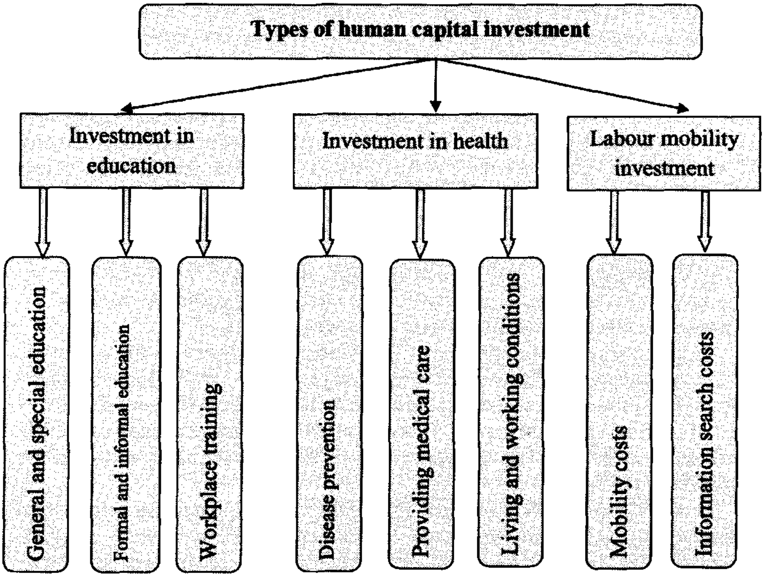

Fig. 6.4. Types of human capital investment

C. McConnell and S. Bruce noted that human capital is any activity that serves to advanced training and at the same time the productivity of workers labour. Costs that contribute to raising one's labour productivity. Costs of someone to increase productivity can be seen as an investment, because these expenses will be many times compensated by the increased flow of income[1].

Sources of investments in human capital are the expenses of the family, enterprises and the state. Costs of raising and educating a child are taken into account as a source of high income in the future due to productive labour activity. Companies are also interested in investing in human capital. Because the labour activity of an employee with a high level of knowledge and skills will make a great contribution to increasing the income of an employer.

Investments in human capital have their own characteristics, which distinguish them from other types of investments (Table 6.1).

To investing in human capital, some scientists refer the costs on fundamental scientific research. Indeed, in the process of science development, not only intellectual innovations are created, on the basis of which new production technologies and methods of consumption are formed, but people themselves are changing as business entities because they consequently become carriers of new abilities and needs. In information society, where developed countries are moving and where the decisive role will be played by areas in which, thanks to the development of science, education, culture, the information wealth of society accumulates, which are then accumulated in technology, science becomes a kind of human capital generator.

In Uzbekistan, according to economic data, the share of the digital economy in the gross national product is not yet very high, and significant measures are being taken in this direction for innovative development.

Digital economy is a system of institutional categories in the economy, based on advanced scientific achievements and progressive technologies, primarily on digital information and communication technologies, operation of which is aimed at increasing the efficiency of social production, maintaining sustainable growth rates of the economy to improve the wellbeing and quality of life of the population of the country.

According to the UN, more than 33% of the world's population suffers from hidden hunger, i.e. mental retardation due to lack of trace elements – calcium, magnesium, iron, iodine. As a result, they have low ability to learn and, of course, there are difficult problems with development of modern professions.

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[1] McConnell C.R., Bruce S.L. Economics: Principles, Problems, and Policies: in 2 volumes. – Moscow: Republic, 1992. – V. 2. – P. 171.

The state also needs to develop its national human capital through improving the quality of education and healthcare. This is a key factor in sustainable growth of the country's economy and competitiveness in the global market.

Table 6.1

Features of human capital investment

Features of investment direction in human capital	Content of features
1	2
1. Time before the end of the working period of a person's life	The return on investment in human capital depends directly on the period of its use, i.e. determined by the time that remains until the end of the working period of a person's life. The earlier investments are made in humans, ceteris paribus, they will give returns
2. Profitability of investing in human capital	Compared to investments in other forms of capital, human capital investment, according to many economists, is the most profitable both for each individual and for society as a whole.
3. Historical, cultural features, traditions, mentality	The nature, scale and types of investments in a person are determined by historical, cultural characteristics and traditions of society, mentality of people. For example, the level of education and the choice of profession by children largely depend on family traditions, professions and level of education of their parents.
4. Physical and moral depreciation	Physical and moral depreciation of human capital is determined by the degree of moral depreciation due to obsolescence of knowledge or the relative decline in the value of the education received. A feature of human capital is also the fact that in the process of using, it is not only worn out, but is also replenished by gaining professional experience by a person.
5. Period of investing in human capital	The investment period of physical capital (1.5-2 years on average) is significantly shorter than human capital. For example, the investment period of such a form of investment in a person as education, i.e. the duration of training can reach 10-20 years
6. Human nature	Functioning of human capital, the returns from its use are determined by the will of a person – the owner of this capital, his individual interests and priorities, his interest, responsibility, outlook and the general level of culture, in particular, economic.
7. Social and economic efficiency	Investments in human capital provide economic and social effects significant in volume, time-consuming and integral in nature.

Studies conducted by scientists of the United States (more than 3200 jobs were analyzed) showed that thanks to a 10.0% increase in the level of education of employees, the productivity of workers increased by 8.6%. For comparison:

due to an increase in fixed assets also by 10%, labour productivity increased by only 3.4%. It means that the profit from human capital brings three times more than capital investments in equipment[1].

This is confirmed by the data of the World Bank. At present, human capital owns two thirds of the global wealth – 66% (365 trillion dollars). In developed countries, this ratio is even higher (Table 6.2).

At present, many countries of the world are taking necessary measures for development of education as a major factor in increasing human capital. Less than 100 years ago, government spending on education amounted to 1.0% of GDP. Currently, this figure amounts to 5.1%. As a result, the number of primary school graduates reached 94.0% of the total population.

Table 6.2

The share of human capital in the total national wealth of the world*

Country	Total human capital (trillion US dollars)	Share in total national wealth, %
United States of America	95	77
China	25	77
Brazil	9	74
India	7	58

* URL: http: // www. worldbank.org.

Investments in human capital also include research costs. In the process of development of science, innovations and highly productive mechanisms are created, on the basis of which not only new production technologies are formed, but people themselves change qualitatively, acquiring new opportunities and needs. In the modern information society, science becomes the generator of human capital.

Investing in improvement of human health is also very important along with development of education and science. In enriching human capital, the economic value and importance of health is indisputable. Investing in healthcare for increasing life expectancy is the most effective investment. It helps to prolong the life of a person and, therefore, extends the period of using human capital.

[1] Dobrynin A.I., Dyatlov S.A., Tsyrenova E.D. Human capital in transitive economy: the formation, evaluation, efficiency of use. – Saint Petersburg: Science, 1999. – P. 127.

Unsatisfactory state of human health reduces labour productivity. Physically weak and sick workers cannot fully realize their human capital. That is why enterprises should be interested in investing funds in health of their employees.

In this regard, prevention of occupational diseases, provision of dietetic food or free meals to staff, medical service in workplaces, reimbursement of medical expenses, leisure organization, improvement of their living conditions are of particular importance.

One of the central places in the Action Strategy on five priority areas of development of the Republic of Uzbekistan in 2017–2021 is to improve the quality of the national education system, improve training highly qualified, competitive labour market personnel.

President of the Republic of Uzbekistan Shavkat Mirziyoyev emphasized that "Only enlightenment provides a harmonious development of the individual and society. Therefore, the state policy in the field of education should be based on its continuity throughout a person's life, starting from kindergarten. In developed countries, great attention is paid to investing in the full cycle of education, that is, funds are allocated to educate a child from the age of 3 to 22. Such an investment in the future pays off at a 15-17-fold rate. In our country – so far only in 4-fold. Consequently, we must increase attention to human capital, use every opportunity for realizing the potential of our young people" [1].

In recent years, over 70 decrees and resolutions of the President of the Republic of Uzbekistan have been adopted, which have created a solid legal basis for a fundamental reform of the national education system. The Ministry of Preschool Education, as well as its regional offices have been established in the country. 11-year general secondary education system has been introduced. Students got the opportunity to more deeply study foreign languages, computer science and other important subjects, such as mathematics, physics, chemistry and biology, as well as to master professions in educational and industrial professional training complexes. Conditions of education were revised in professional colleges too.

A comprehensive program for development of higher education for 2017-2021 has been approved in the country. According to the program, a total of 180 academic, scientific and laboratory buildings, sports and social infrastructure facilities are under construction in 48 higher education institutions. In addition, 400 educational laboratories in 53 higher education institutions will be gradually equipped with the most up-to-date educational and laboratory equipment, and 7 higher education institutions will be created for cooperation with scientific universities.

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[1] Address of the President of the Republic of Uzbekistan Shavkat Mirziyoyev to the Oliy Majlis // Narodnoye slovo (People's word), December 29, 2018.

Financial resources of the higher education system for implementation of the Integrated Development Program for 2017-2021 amount to more than 1.7 trillion soums, of which 1.2 trillion soums were planned to be allocated for reconstruction and overhaul of educational and laboratory facilities, more than 500 billion soums – for the supply of educational and laboratory equipment, furniture and equipment.

Currently, 15.7% of the state budget expenditures of the country is directed to development of healthcare. Only in 2017-2018, 6 new scientific and practical medical centers were organized, their total number reached 16. In the regions, 10 branches of these centers were opened to create even greater amenities for the population. In the district and city hospitals, 306 new special departments were organized, 1.2 thousand emergency care units. In general, in 2018, 40% more funds compared with 2017 was allocated from the State budget for medicine.

Accumulation of knowledge, skills and experience by the population requires huge expenditures (tangible and labour) from the state, from enterprises, and from citizens both in the field of education and outside it. These costs may be considered only in part, but such calculations (carried out in developed countries) show that the valuation of accumulated human capital exceeds the amount of tangible accumulation. Moreover, the rate of intangible accumulation exceeds the rate of tangible accumulation and determines the pace of economic development of the country.

CHAPTER VII.

EMPLOYMENT: THEORY AND PRACTICE

7.1. Classical and neoclassical theory of employment

In economic theory, there are two concepts (models) of the approach to the problem – classical and Keynesian. In classical economic theory, it is approved that full employment of the population is the norm of free market competition, which is ensured by conformity of total demand with total supply.

In socio-economic policy of the country, along with practical measures of employment policy, it is important to substantiate its theoretical and practical aspects. Almost all economic theories to some extent affect the issues of labour and employment of the population. Naturally, the coverage of problems related to the labour market is associated with the period of development of a particular theory from a historical perspective, the goals of their authors, the subject of interest to us and the economic reality surrounding it.

The founder of the classical school, Adam Smith and his follower David Ricardo, in their works noted that among all the resources of the market system, a more complete use of labour resources plays an important role and is capable of ensuring market efficiency. The French scientist Jean-Baptiste Say also had his own views on problems of labour, labour power and employment. Moreover, on a number of issues he acknowledged the correctness of representatives of the classical school.

The Great Depression in the western economy in the 30s of the 20th century dealt a crushing blow to the theory of the classical school. J.M. Keynes conducted a deep analysis of this economic crisis and, in contrast to the representatives of the classical theory, took the side of the system of a mixed economy. According to his theory, the economy does not consist only of a perfect competitive market, prices may change during a certain period of time, because of the instability of the economy, sometimes the state must intervene in the economy in order to eliminate some of its "faults".

In the 60s of the 20th century, M. Friedman founded *monetarism* in economics. Representatives of this school forwarded the idea that the money supply in the economy is the main criterion for its development. According to the monetarist position, if there is a constant money supply, then the economy will always be stable and will function at full employment of all resources.

This contradicted the views of the Keynesians that the money supply is strongly influenced by the proportional rate of interest. Therefore, an increase in the money supply will not noticeably affect the increase in production. As a result, supporters of John Keynes considered fiscal policy more efficient.

Monetarists, on the contrary, approved that although fiscal policy increases the share of government purchases of goods and services, this will require additional funds for the state, which will increase the need for borrowing. Therefore, the state is trying to raise the interest rate. Monetary theory claims that such fiscal policy of the state limits the inflow of private investment in the economy. This idea in economics was called the Growing-out Effect.

In the second half of the 1970s, the theory of "Supply in Economics" was forwarded. According to representatives of this school, A. Laffer, R. Mundell, for the organization of efficient production of goods and provision of services, the population needs to create necessary conditions, i.e. stimulation of labour power and capital. To do this, the state must pursue an active policy to reduce the tax burden. Because commodity producers and service providers consider tax as additional production costs for production of a unit of production. An increase in tax burden may lead to a reduction in total supply.

At the end of the 20th century, the school of Neo-Keynesians began to be formed. Its most famous representatives – N.G. Mankiw, D. Romer, O. Blanchard, S. Fischer and others tried to apply Keynesian standards to analyze the modern economy. N.G. Mankiw and D. Romer even published a two-volume book, New Keynesian Economics, in 1991, which sets out the basic principles of this school.

The market for goods and services forms the total demand and supply. Demand for goods and services are considered macroeconomic agents. The companies' offers are the transformation of goods and services into real value, therefore they are called *the real value market.*

Financial markets consist of money and securities markets. If the money market finances supply and demand, then among the participants of the securities market, producers are the main borrowers.

The economists of the classical school, in justifying their conclusions, considered that full employment of the population is the norm of market economy, another argument is the elasticity of the ratio of prices and wages.

The volume of products that can be sold on the market depends not only on the level of total costs, but also on the price level. Therefore, a decrease in total costs, volume of production and employment will lead to lower prices. A reduction in prices is the reason for lowering the cost of production, including the cost of wages. As a result, employers have to reduce wage rates. Competition from the unemployed will force employees to work for lower wages. This is also influenced by reduction of prices for other products of the market.

Thus, the economists of the classical school denied the possibility of existence of involuntary unemployment. Such factors of a market order as interest rates and prices, the elasticity of wage rates are able to maintain full employment. State assistance in this area is not only unnecessary, but also harmful.

At the end of the 19th century, as a result of development of common ideas and views of the classics, the *neoclassical economic theory* arose. The founder of this direction, professor at the University of Cambridge Alfred Marshall (1842–1924), developed theoretical positions of the market price, entrepreneurial and consumer behavior, which economists use even now. To ensure employment, he considered the regulation of supply and demand important. The scientist believed that the ultimate regulator of all demand is consumer demand, and that this settlement can be carried out automatically by the market.

The balance in the labour market in the neoclassical model is determined through the aggregate function of labour demand and the aggregate function of labour supply. The price of labour is the rate of real wages.

Other representatives of the neoclassical theory, as well as A. Marshall, believed that the increase in wages to the population inevitably leads to a decrease in the level of employment and an increase in the level of unemployment. He used the "theory of low performance" to explain this phenomenon.

During the appearance of his work, the unemployment rate was still low and non-permanent employment was not such an acute problem. "Inconstancy of employment", wrote Marshall, "is a great evil, and rightly attracts public attention. But several causes combine to make it appear to be greater than it realy is... there seems to be no good reason for thinking that inconstancy of employment is increasing on the whole". Considering the market economy to be self-regulating, he saw no need for government regulation of employment.

Arthur Pigou (1877-1955) was a follower and disciple of A. Marshall. His main job in the field of employment was the The Theory of Unemployment, published in 1933. The basic principles of the classical theory of employment are described in this work in detail. A. Pigou believed that the cause of unemployment is a high level of wages, and a reduction in wages increases employment, because it reduces production costs and creates additional employment opportunities. In his opinion, the reduction in the cost of production will lead to an overall decrease in the cost of goods and an increase in the purchasing power of the population living off their salaries.

A. Pigou paid great attention to the problem of unemployment, considering unemployment to be the result of too high wages of workers. As a mechanism for increasing employment in a crisis situation, he proposed the growth of real income when the rate of reduction of nominal wages is lower than the rate of price change. This will ensure the growth of real wages and, accordingly, increase in total demand, output and employment.

The scientist was a supporter of the theory of voluntary unemployment. Therefore, believed that flexible wages allow productively use all available labour resources. Those who want to work, according to the salary of a certain amount, emerging on the market as a result of supply and demand, can do it. Higher salary, established by outside interference (trade unions, the state), is higher than the equilibrium level. In this case, unemployment is formed, which is voluntary.

7.2. Employment in neoclassical theories

Theory of J. Keynes. In the late 1920s – early 1930s, countries with market economy were hit by the economic crisis, which led to significant unemployment in scale and duration. He demonstrated that conclusions of the neoclassical theory about the fundamental impossibility of long-term unemployment contradict reality. J. Keynes in his work "The General Theory of Employment, Interest, and Money" gave an explanation to economic problems, different from the neoclassical theory. His main conclusions on employment issues consisted of the following provisions:

– market economy is not a self-regulatory system. With the balance of total demand and supply achieved, a significant level of unemployment and inflation is possible;

– in the short term, prices and wage rates are inelastic, they cannot serve as regulators of the economy and restore full employment. Their rigidity is due to improper competition in markets; the presence of monopolies that prevent price cuts; the existence of labour unions, trade unions in the labour market that prevent the reduction of market wage rates;

– in a market economy, it is desirable to achieve full employment, which is not identical to the 100% involvement in production of all able-bodied people. Full employment is the maximum achievable employment in practice, corresponding to approximately 96-97% of the total able-bodied population. Full employment is accompanied by unemployment (3-4%), the so-called natural rate of unemployment, since some of its forms (frictional, structural) cannot be eliminated in principle. GNP produced under full employment conditions is called potential;

– in a market economy there is no mechanism that automatically provides full employment under all conditions. So, with equalization of total demand and total supply, real employment may be less than full, the value of the GNP produced less than the potential. The long-term existence of unemployment is possible;

– systematic state intervention in the economy is necessary for achieving full employment and potential GNP, which the market does not provide on its own. However, with any options, state intervention in a market economy leads, ultimately, to inflation.

Despite the popularity of the theory of John Keynes, it began to collapse in the 80s of the 20th century. As a result of the growth in total spending, in accordance with this theory, the growth of production in developed countries also stimulated economic growth in such countries, thereby somewhat reducing the tendency of increasing unemployment. Development of capitalist countries in the postwar years (until the 70s of the 20th century) fully confirmed this rule – unemployment and inflation were rare phenomena. However, economic development in the world led to high inflation in the economy in the 1970s.

English professor A. Phillips analyzed the mutual dependence of inflation and unemployment empirically (based on experience). According to the scientist, in the short term there is an inverse relationship between the level of inflation and the level of unemployment: an increase in employment leads to inflation, since with a deficit of resources, they are "enticed" by increasing wage rates and prices for investment goods. An economic downturn causes a reduction in employment and total demand, which leads to disinflation or even deflation. The inverse relationship between inflation and unemployment rate is called the *Phillips curve*.

This inverse relationship between the level of inflation and the level of unemployment is due to the fact that a rather high level of unemployment forces job seekers to accept lower wages, which always holds back prices. In another situation, on the contrary, when the unemployment rate is rather low, in order to attract new workers, the employer has to raise wage rates, which is why wage growth precedes productivity growth. In the case when the unemployment rate is low, among those not employed there are less suitable for work, i.e. less skilled workers. As a result, the growth in the aggregate demand begins to exceed the growth in aggregate supply, which leads to an increase in the price level.

Monetarism is a macroeconomic theory, according to which the amount of money in circulation is the determining factor in development of the economy. One of the main directions of neoclassical economic thought. Modern monetarism originated in the 1950s as a series of empirical studies in the field of money circulation.

In the 1960s, politicians used the Phillips curve to choose an economic strategy, choosing the least of the two evils.

However, since the 80s of the 20th century in many developed countries, an increase in unemployment has been accompanied by a rise in prices, a *problem of stagflation* has arisen. As a result, the Phillips curve did not reflect the real situation between unemployment and inflation. For many, it became clear that the problem of unemployment and inflation is more complex than J. Keynes and his followers suggested. Standing on their classical views, various scientific communities opposed Keynesianism. They created a new direction in the economy – *neoconservatism*. Among the neo-conservatives, monetarists took leading positions.

One of the founders of monetarism is the American economist, the Nobel Prize winner in Economics in 1976, Milton Friedman. He is one of the brightest representatives of the modern neoclassical direction.

The hypothesis about the "natural level of unemployment" proposed by representatives of this direction is a monetarist interpretation of the idea of full employment. At the same time, the possibility of full employment of the able-bodied population will be limited. Even if the conjuncture is incredibly acceptable, employees must constantly develop their own skills, as some professions disappear on their own, people for one reason or another change their place of residence, etc.

Some economists believe that a 4-5% unemployment rate is economically acceptable, natural, and may not be considered a social problem. Undoubtedly, natural unemployment is determined by the demand for labour.

M. Friedman believes that there is an unemployment rate that in any state corresponds to an equilibrium in the composition of real wage rates. With this level of unemployment, they tend to grow at a certain "regulatory" rate, that is, capital accumulation, technological innovation and other process that can be maintained for a long time. If politicians try to increase employment from a natural level to a higher level, the result will be price increase.

According to the monetarists, the deviation of unemployment from its equilibrium level can occur only in the short-term perspective. If the level of employment is higher than the natural level, inflation rises, if it is lower, inflation will decrease. Thus, in the medium term, the market reaches equilibrium. Based on these assumptions, it is concluded that employment policies should be aimed at smoothing fluctuations in unemployment rate from its natural rate. At the same time for balancing the labour market, it is proposed to use the tools of monetary policy.

The weakness of the "natural unemployment rate" theory suggest that both the labour market and the commodity market, without taking into account wage growth and rising prices in the market, natural unemployment can be regulated and that there is no need for a balanced labour market.

Neoclassicists deny the existence of unemployment and do not recognize the need for fighting poverty. They consider that unemployment is often voluntary and arises as a result of free choice of the person himself: the dismissed people do not want to change their profession and place of residence, do not agree to lower wages. Proponents of this theory have a negative attitude to the increase in the minimum wage and unemployment benefits, because they believe that this reduces the interest of the population in finding work.

M. Friedman was against social measures of the state in assisting needy and socially vulnerable groups of the population, considering them ineffective. The main means of regulating the economy, he considered money. Therefore, most of the works of M. Friedman were devoted to issues of money and strategy of monetary policy.

Monetarists point to the relationship between changing the amount of money and the cyclical development of the economy. This idea was substantiated in the book "A Monetary History of the United States, 1867–1960" published in 1963 by Milton Friedman and Anna Jacobson Schwartz. Based on an analysis of the actual data, it concluded that the subsequent onset of a particular phase of the business cycle depends on the rate of growth of the money supply. In particular, the lack of money is the main cause of depression. On this basis, monetarists believe that the state should ensure a constant money issue, the value of which will correspond to the growth rate of the social product.

According to the views of monetarists, money is the main area that determines the movement and development of production. The demand for money has a constant upward trend (which is determined, in particular, by the penchant for savings), and to ensure the correspondence between the demand for money and their supply, it is necessary to pursue a policy of gradually increasing (at a certain rate) money in circulation. Government regulation should be limited to control over money circulation.

Neoclassical synthesis is a scientific direction in the economy, integrating the theoretical position of the neoclassical and Keynesian schools. The microeconomic component of the synthesis is based on neoclassical teaching, and the ideas of J.M. Keynes dominate the macroeconomic concept.

Over the past thirty years, many scientists have concluded that the market should be managed both independently and through the state. A school of neoclassical synthesis was formed on this postulate.

Neoclassical synthesis is a theory that combines Keynesian integration of the material and monetary sectors of the economy in order to simultaneously determine cash income and interest rates with the classical notion that tendencies to balance at full employment can be hindered only by the inflexibility of the system.

Its founder and prominent representative is the American scientist, Nobel Prize winner in Economics in 1970 Paul Samuelson. His two-volume book "Economics" (later the edition of 1996 was translated into Uzbek) is one of the main textbooks in economics for many students of many countries of the world.

According to its author, to achieve the "neoclassical synthesis" we call, most economists in the West are trying to combine the classical microeconomics of Smith and Marshall with modern macroeconomics for determining the level of income in order to achieve an effective monetary and fiscal policy, combining all the healthy stuff in both approaches[1].

He also noted that economists consider the proofs of the classics too simplistic, which do not meet the realities of the requirements of the 19^{th}-20^{th} centuries. In

[1] Samuelson P. Economics. V. 2. – M., 1994. – P. 332.

the free world, the government and central banks carry out treasury (costs and taxes) and monetary policy, which can influence the factors that determine national income and employment. Depth and practicality distinguish the views of researchers of neoclassical synthesis. Their in-depth study of economic growth, analysis of unemployment and methods of its regulation, as well as the theory of general economic equilibrium, are worthy of attention. Its supporters pay great attention to the development of models of economic and mathematical relations and believe that state regulation of the economy is of great importance in the regulation of the market.

According to neoclassical synthesis, the reason for incomplete employment is the inflexibility of wages. For achieving full employment, it is necessary to lower the wage rate to a level at which entrepreneurs can hire everyone. This can be achieved by raising prices, raising real wages and lowering nominal wages. However, the implementation of such a scenario is possible only in case when economic agents do not distinguish between nominal and real values, which contradicts the principle of rationality and awareness.

Among other representatives of neoclassical synthesis, we distinguish the authors of well-known Economics textbook Campbell R. McConnell and Stanley L. Brue. They gave a detailed and clear statement of both classical and neoconservative (mostly monetarist) and Keynesian theories in it. Moreover, this description is often given in comparison with the arguments of various theories on certain issues. According to these scholars, most economists are ready to recognize the persuasiveness inherent in both Keynesianism and monetarism (to a lesser extent the theory of rational expectations). Both theories present useful schemes that allow analyzing macroeconomics. Campbell R. McConnell and Stanley L. Brue believe that the controversy of Keynesians and monetarists forced economists of all directions to rethink some of the most fundamental aspects of macroeconomic theory and reach a compromise. Modern scholars and practitioners have realized the need for coordinating fiscal and monetary policy. In addition, the economics of all directions now attach importance to both the analysis of total demand and total supply.

The Economics textbook used the eclectic method, which is most widely reflected in foreign economic works, in particular, in the "Fundamentals of Management"[1] textbook. Many Soviet economists considered this method inappropriate, however economists now admit that these views were erroneous. At present, this textbook is recognized by many economists as useful and possible to use.

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[1] Meskon M., Albert M., Hedouri F. Fundamentals of Management. – M., 1992.

At the end of the 1970s, the Phillips curve began to be questioned, since the growth of unemployment in many developed countries proceeded along with rising prices, inflation, i.e., stagflation process began. Thus, Keynesianism was challenged by scientific currents, which were based on classical positions. Among them: monetarists, supporters of the rational expectations theory (RET), institutionalism and the concept of the economy of supply.

Representatives of the concept of assumptions economics are in favor of stimulating total supply, increased production and employment. Based on the Laffer curve, they propose to abandon the progressive taxation system, cut social taxes, cut down the apparatus, reduce federal costs for subsidies to industrial enterprises, infrastructure development, etc.

Supporters of the concept of institutionalism (J. Galbraith, T. Veblen and others) interpret the subject of economics broadly and consider it necessary to take into account the whole complex of conditions and factors that influence economic life: economic, social, legal, political. They stand for expansion of social programs and believe that the issue of social guarantees of employment may become more important than the issue of the level of wages, that the problem of unemployment becomes, above all, a problem of structural imbalance.

The rational expectations theory (RET) was developed in response to the criticism of Keynesians as a desire to search for new explanations of current economic phenomena. RET representatives are R. Lucas, J. Sargent, N. Wallace. They rely on the theory of markets and assume that people behave rationally. The market participants (consumers and entrepreneurs), using the available information, can predict the consequences of the expected changes in the economy and make appropriate decisions in their own interests. They assume that all markets (goods, resources) are highly competitive, while prices and wages will be flexible, prices and production volumes (and, consequently, employment) will quickly adapt to new conditions. That is why, they believe, the effectiveness of the state regulation is reduced to zero.

At various times in the countries of the world, various theories have been used in development of economic policies, including employment policies. However, after the global crisis of the 30s of the 20th century, the Keynesian theory became a priority. The United States President Franklin Roosevelt used it to lead the country out of a deep crisis and eliminate mass unemployment.

Provisions of the Keynes theory are reflected in the US Employment Act of 1946 and the Full Employment and Balanced Growth Act of 1978 (Humphrey-Hawkins Act). In particular, the Employment Act of 1946 states that the constant policy and responsibility of the federal government is to create and maintain conditions for employment of all able-bodied, willing to work and job seekers...[1].

Quoting this part of the law, P.E. Samuelson indicates that the Employment Act of 1946 is an important innovation implemented in our country. He placed the responsibility for providing employment on the government, and a mechanism for concrete actions was created in the government and the Congress[2]. It should be noted that in the Law of the Republic of Uzbekistan "On employment of the population" this issue is also reflected in the improved version.

The new microeconomic theory of employment reflects a new view on the labour market as an internally heterogeneous and extremely dynamic mobile system. The development of a dynamic approach is primarily associated with the research of C. Holt, R. Hall, C. Perry, M. Feldstein. These authors have shown that women and young people, who are not, as a rule, the breadwinners of the family, suffer the most from unemployment. A new index was introduced into scientific circulation – *the average term of complete unemployment*, i.e. the term of unemployment from the moment of its beginning until the moment of completion. It was found that usually this period is not more than one – one and a half month.

Supporters of the dynamic approach began to use for analysis the classification of types of unemployment in terms of labour power flows in the labour market. These authors consider that it is necessary to explain not unemployment in general, but to consider it for each individual category of labour power, for each flow in the labour market to find its own specific causes and sources of unemployment. They see the problem of employment not in a chronic lack of jobs, but in the fact that many people are not able to hold out for a long time on the job they received. As a measure of impact on the economy, these economists propose reducing taxes and unemployment benefits, abolishing or reducing the legal minimum wage, improving the information system on the labour market.

Disequilibrium models, the paradigm of non-clearing markets of the new macroeconomic theory – these concepts consider unemployment as a phenomenon of long-term sustainable disequilibrium. The lack of cooperation is explained in them by the general lack of coordination between the individual markets of the economy. The rigidity and immutability of prices, distributed not only to the labour market, but also to the commodity market, are a general prerequisite for disequilibrium models. Depending on which levels prices are set in both markets, the economy will be in one of the following modes:

– Keynesian unemployment, a mode of suppressed inflation (characterized by a general excess of demand);

[1] Samuelson P. Economics. V. 2. – M.: Algon, 1994. – P 332.

[2] Ibid.

– the mode of classical unemployment (characterized by an excess of supply in the labour market and an excess of demand in the commodity market);

– under-consumption regime (characterized by a lack of demand in the commodity market and a shortage of supply in the labour market);

– Walrasian equilibrium (represents the point of convergence of all modes – in neither of the markets there is neither excess demand nor excess supply, transactions are made at equilibrium prices).

The employment contract theory appeared in the mid 70s of the 20th century. It was forwarded almost simultaneously by D. Gordon, M. Bailey, K. Azariadis. The starting point of contract theory is an attempt to reconcile the observed cyclical behavior in the labour market with the fundamental axiom that people act in their own economic interests. From the authors' point of view, the nature of the relationship binds the subjects in the labour market even when they do not conclude a written contract. Just in this case the contract becomes "implicit", i.e. implicit, juridically not formalized, and the parties still seek to abide by its conditions, since this leads to mutual benefit.

Supporters of the *institutional direction* of the new microeconomic theory of employment consider politics, ideology, law and psychology as decisive factors in relation to economic conditions and the laws of functioning and use of labour. Moreover, they are characterized by a departure from macroeconomic analysis and an attempt to explain the nature of the labour market by the characteristics of the dynamics of individual industries, professional and demographic groups. They interpret full employment as a condition in which anyone who wants to work can get a job, including full-time work. Unemployment with its moral and psychological burden, not to mention economic, are costly to society, possibly more expensive than restoring and maintaining full employment.

Concepts of *flexibilization* arose as a managerial innovation in the period of fundamental changes in technology, engineering, production, related to informatization, computerization and their further application in various spheres of human life. They imply the constant strengthening of diversity of forms of labour organization, the spread of flexible working hours and new hiring systems (temporary replacement, sharing of functions). The nature of flexible employment policy is largely determined by whether it focuses on systematically attracting additional labour power, or is primarily aimed at developing the professional mobility of the permanent core of the labour collective. In the first case, it is about externalization (or numerical flexibility), in the second – about internalization (functional flexibility) of employment.

Thus, there are two opposing trends: the idea of uncertainty as a result of the general lack of demand (Keynes) and the idea of dependency on wages, wage increases, lower inflation and a positive impact on production and employment.

This brief overview of individual employment concepts provides an idea of the experience gained in Western countries in regulating employment relations and the possibility of its use in Uzbekistan for regulating employment.

7.4. Employment classification

Classification of the population by status in employment, operating in the statistics of the Republic of Uzbekistan, is fully consistent with the International Classification of Status in Employment. According to the status in employment, only the economically active population is classified, that is, employed and unemployed.

In essence, the social position of an individual in society is determined by status in employment. The degree of economic risk, the element of which is the type of relationship of a person with certain powers with other employees or enterprises serves as the main criterion.

Groups by status in employment are determined by taking into account the difference between employment, on the one hand, and work in their own enterprise (self-employment), on the other.

Employment is a type of labour activity in which an employment contract is concluded that guarantees a person performing an employment a remuneration that is not directly dependent on the income of the enterprise or organization. At the same time, fixed assets and assets are the property of other persons.

Working at the own enterprise is a type of labour activity in which remuneration directly depends on the income received from the production of goods and services. Persons involved in such activities make management decisions or delegate their adoption to other persons, while retaining responsibility for the activities of the enterprise.

Classification of the population by status in employment includes the following groups.

1. Employees are persons who perform activity for hire, who signed a written employment contract with the head of an enterprise of any form of ownership or a certain person about the conditions of labour activity, for which they receive payment in cash or in kind stipulated in hiring.

Employees are divided into civilian population and military personnel.

According to the duration of employment, employees are divided into:

– permanent employees (in their composition there are employees whose labour contract does not determine the duration of hiring, and employees whose contract determines the duration of hiring, but it is large enough to classify them as temporary workers or employed in casual work);

– temporary workers;

– seasonal workers;

– workers hired for occasional work.

2. Employers are persons who permanently work in their own private enterprise, and persons engaged in professional activities or crafts on an independent basis and constantly using the labour of employees.

3. Individuals working on an individual basis are individuals who, independently or with one or several partners, carry out income-generating activities and do not use the labour of employees on a permanent basis.

4. Unpaid family enterprise employees are persons who work without payment in a private family enterprise owned by a relative.

5. Members of collective enterprises are persons who work in collective enterprises and are members of the collective of owners of this enterprise. Each member of a collective enterprise has equal rights with other members when it comes to issues of production, marketing, etc.

6. Persons who are not classifiable by status in employment are persons whose available information is insufficient to classify them in one of the categories listed above.

For unemployed persons who previously had a job, their status is determined by their previous employment. If unemployed persons have not previously engaged in labour activity, they are referred to the sixth group.

Economists distinguish different forms of employment. Their grouping by some features is shown in figure 7.1.

Forms of employment presented in the figure constitute the model of existing labour relations in Uzbekistan. It reflects its new forms, expanding the boundaries of employment, filling those or other forms of employment with content that corresponds to modern realities.

By participation in social work, employment of the population can be in the form of hiring and self-employment. Employment is social-labour relations between the owners of the means of production and not owning the means of production, performing work for a fee.

Self-employment is a relatively new form of employment. Under the current legislation of the Republic of Uzbekistan, these are self-employed people, including those engaged in entrepreneurial activities, artisans, members of family enterprises, members of dehkan households, production cooperatives, farmers and others. Self-employment is based on personal initiative, independence, responsibility, and, as a rule, is focused on income generation, as well as on self-expression and self-determination of a person.

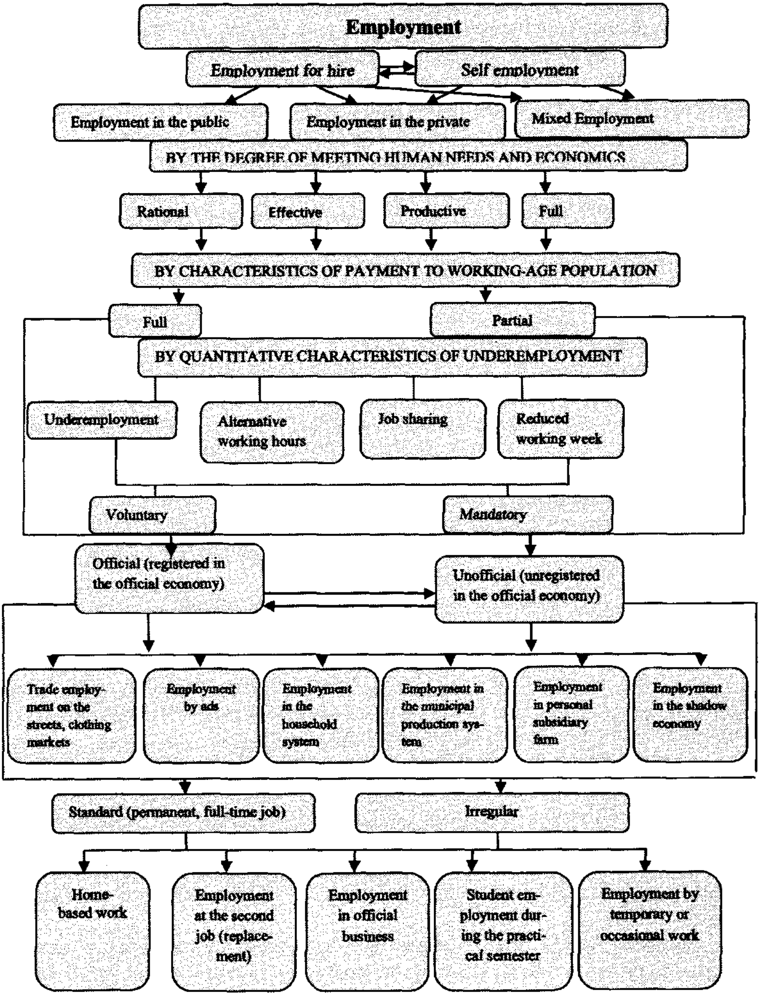

Fig. 7.1. Classification of employment forms

Employment can be rational, effective and productive, depending on the degree of compliance with the needs of the economy and the individual.

Rational employment implies optimal distribution and use of the able-bodied population for the purpose of reproducing the labour power, harmonious and comprehensive development of the human being. It is characterized by full compliance between available jobs and the existing professional structure of workers.

Effective employment is employment of the population, providing a decent income, the growth of the educational and professional level of able-bodied citizens based on the growth of public labour productivity, and preserving the health of employees. Effective employment is the most important condition for the fullest possible realization of human potential, qualitative changes in equipment and technology. Therefore, it is effective employment that constitutes the foundation of competitiveness, ensuring an increase in labour productivity, profits of enterprises, the growth of tax incomes and the quality of life of the population.

Effective employment makes it possible to assess the need of the population for work and in what ways full employment is achieved. This definition of effective employment is aimed at comprehensive development of a person and cannot be measured using a single indicator. In the scientific literature there are several options for classification of indicators of effective employment:

– level of employment of the population by professional labour;

– level of employment of the working population in social economy;

– distribution of the average annual number of employees by types of economic activity, sectors of the economy;

– composition of the employed population by educational level and others.

Productive employment is a state of society when not any work is considered socially acceptable, but only one that meets two important requirements:

– *firstly*, employment should bring workers income, providing decent living conditions for a person. This implies a direct connection between the employment policy and the income policy, anti-inflationary actions, etc.;

– *secondly*, productive employment is contrasted with formal employment. A special case of the latter is the maintenance of surplus workers or the creation of formal jobs in order to avoid unemployment. The state policy should help ensure that every person's labour is economically expedient, most productive for society.

Productive employment is expressed by the ratio of the number of people employed in professional labour in material production to the total number of labour resources (in %).

According to ILO, "Each Member shall declare as a priority objective a policy designed to promote full, productive and freely chosen employment by all appropriate means, including social security. Such means should include, inter alia, employment services, vocational training and vocational guidance... Each Member shall endeavour to extend the promotion of productive employment progressively to a greater number of categories than the number initially covered"[1].

Depending on the degree of coverage of the population, employment may be full and partial.

Full employment is the level of employment, at which frictional and structural unemployment still exists, but there is no cyclical unemployment, and the economy uses all available and suitable resources for production of goods and services; a situation in which the real net national product (NNP) is equal to the potential NNP.

According to C.R. McConnell and S.L. Bruce, full employment is a situation in which the economy uses all suitable productive resources, ensuring the employment of all who are willing and able to work, so with full employment there is a natural level of unemployment[2].

From the macroeconomic point of view, full employment is a situation in which the full utilization of all the economic resources of the country, and in the first place – the labour power, takes place.

Part-time employment is employment for part-time work or with partial payment. Partial employment by quantitative characteristics of part-time work is subdivided into the following forms:

1. Part-time employment (shortened working week, shortened working day) is the result of shortened working hours. This allows enterprises to retain qualified and experienced personnel and prevent unemployment;
2. Compressed part-time working week;
3. Job sharing;
4. Alternative working hours.

The Labour Code of the Republic of Uzbekistan stipulates that certain categories of workers, taking into account their age, health status, working conditions, the specifics of labour functions and other circumstances, in accordance with legislative and other normative labour acts, as well as the terms of the labour contract establish a reduced working time without reducing wages.

Shortened duration of working time is established:

– to employees under the age of eighteen;
– to employees who are disabled of groups I and II;
– to employees engaged in jobs with adverse working conditions;
– to employees with a special nature of work;

[1] Employment Promotion and Protection against Unemployment Convention [Convention 168]. Adopted on June 21, 1988 by the General Conference of the International Labour Organisation at its 25th session. – URL: http://www.un.org/ru/documents/decl_conv/ conventions/jobles.shtml.

[2] McConnell C.R., Bruce S.L. Economics: Principles, Problems, and Policies. – M: Republic, 1992. – V. 1. – P. 38.

– women with children under the age of 3 and working in institutions and organizations financed from the budget.

For employees engaged in jobs with particularly harmful and particularly difficult working conditions, the maximum working hours are established by the Government of the Republic of Uzbekistan.

According to the agreement between the employee and the employer, it can be established both during employment and subsequently *part-time working day* or *part-time working week.*

Part-time work does not entail for the employee any restrictions on the duration of the annual basic leave, calculation of work experience and other labour rights and is paid in proportion to the time worked or depending on the output.

A part-time working week of 30-34 hours is typical. In terms of employment, this method allows to increase the number of jobs for employees. Studies have shown that the number of workers engaged in labour activity in this mode is increasing. For example, over the past 10 years, the number of such employees in the United States has increased 1.5 times.

Job sharing between several employees is sharing work that one full-time employee implements, between two or more part-time employees. Employees are divided into work time, wages, holidays, and social benefits. It helps to ensure the flexibility of employment policies and retain qualified workers. For example, in the UK there is a special employment program for job sharing method. The government allocates 750 pounds to everyone employed by the job sharing method in a state enterprise.

Alternative working hours. The majority of modern companies, consistently faced with problems of searching and retaining qualified personnel, are looking for new ways of motivating employees in particular and optimizing the work process in general. Great help in this case may become alternative modes of working time.

Germans were the first to introduce the experience of flexible working time in the middle of the 20th century. From Germany, innovation soon spread throughout Europe. Currently, employees of about half of the companies in Europe are engaged in one of the flexible work schedules. There are several alternative working time programs. In general, their essence comes down to the fact that the employee gets the opportunity to come to work not at a specific time, but at a convenient time.

By the legitimacy of employment, employment is divided into formal and informal employment. Formal employment is a business registered in the official economy. Informal employment is unregistered employment. The informal sector of the economy and its specific types of employment should be recognized as an important source of employment.

In developed countries, *home-based work* plays an important role. This economic institute was rejected by economists in Soviet times. But, as practice has shown, home-based work is an important element of a market economy.

Home-based work has several advantages compared with other types of entrepreneurship:

– you can be engaged in home-based work, if you can not fully devote yourself to work. For such people, a home-based work serves as an important help in solving financial problems;

– you can choose the easiest business with a minimum investment;

– you can create your own business on the basis of an activity that you like. You can start a business from scratch, and in the future it will bring profit;

– home-based work is universal: even teenagers, pensioners and housewives will find themselves here. It is convenient for start-up entrepreneurs as well.

Home-based work can be opened through a franchise, that is, you can sign a contract with an already promoted company, and start your own business under this brand. This activity is called *self-provisioning*. This type of labour differs from the labour of hired workers, because it is not preceded by entering the labour market, and at the same time it is not an enterprise, since the goods and services produced do not require implementation in the relevant markets.

Home-based work plays an important role as subjects of demand for goods and sellers of resources. However, labour relations in the formal economy have an impact on the family economy. Home-based work is an intermediate factor mitigating the negative trends in employment dynamics and the development of the system of labour relations in other sectors of the economy.

The concepts of standard and non-standard employment are not generally accepted, but are increasingly used by researchers. *Standard* employment is usually considered full-time employment on the basis of an indefinite employment contract at a company or in an organization, under the direct supervision of the employer or managers appointed by him. In most developed countries, such a standard is enshrined in law. On the contrary, all forms of employment that deviate from the standard described, including self-employment, can be considered as *non-standard*. In the English literature, other terms can be used to refer to non-standard employment relations: *"atypical", "precarious", "contingent", "peripheral", "marginal", "flexible"*, etc.

Standard employment was not always a social and legal norm. It began to spread rapidly at the end of the 19th century due to acceleration of industrialization. As a result, it became dominant in all industrial economies during the 20th century. Development of mass industrial production and conveyor technologies in combination with scientific approaches to the organization of labour required precisely this form of labour and employment.

By the mid 70s of the last century, the complex of conditions under which standard employment could dominate began to collapse.

Structural changes in the economy of developed countries led to a reduction in the share of traditional large-scale industry, which was the main consumer of "standard" workers. The rapidly growing service sector required other employees:

– employees, working in a flexible time mode, and in terms of length, either less or longer than the norms stipulated by the legislation;

– more mobile workers and having only temporary labour contract, combining executive and entrepreneurial functions (Fig. 7.2).

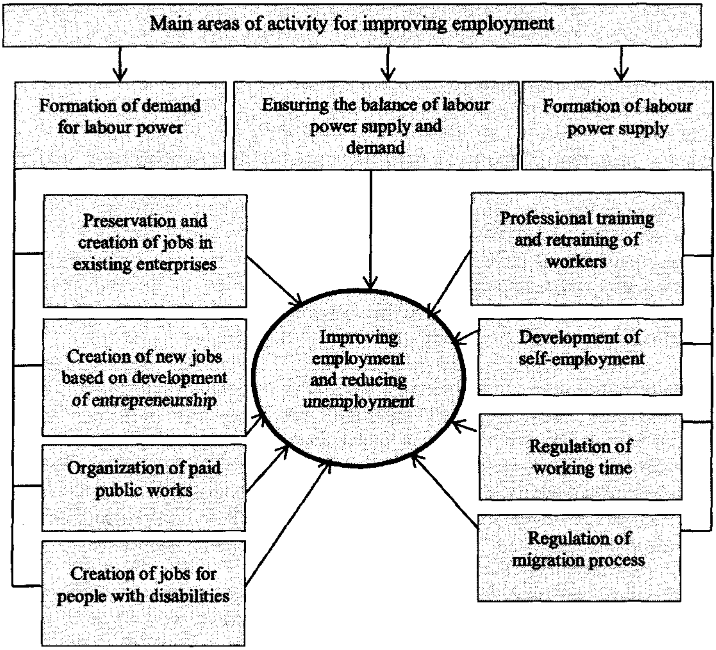

Fig. 7.2. Main directions of increasing the level of employment

The demand for labour on the part of small enterprises, the role of which in the modern economy is constantly growing, has a similar character.

Increasing global competition, as well as related uncertainties, increased competition for consumers and the need for reducing costs, have been demanded from employers and workers of flexibility in labour relations. It became obvious that taxes and other indirect costs that accompany standard jobs are excessive for employers. The decreasing share of wages in total labour costs undermined competitiveness in the market. The slowdown in economic growth and the growth of unemployment were accompanied by a narrowing of opportunities for creating standard – full and permanent – jobs for all who need them.

Technological progress and, above all, the revolution in computer and information technologies, created technical prerequisites for development of small flexible industries. Under these conditions, the demand for mobile workers who are capable and willing to work in frequently changing and non-standard conditions began to grow.

The presence of a computer, modern communication facilities and high-speed Internet access make it possible to perform many types of work at a territorial distance from the employer or customer in a flexible time mode. On the contrary, the technological need and economic interest in workers with full-time jobs, life-long employment and available to the management for continuous monitoring began to weaken even in major industries.

7.5. Employment, an element of socio-economic policy

Employment of the population of Uzbekistan is provided by the state through an active socio-economic policy aimed at meeting its needs in the voluntary choice of the type of activity, stimulating the creation of new jobs and development of entrepreneurship.

State employment policy of Uzbekistan is based on the following principles:

– ensuring equal opportunities for all citizens regardless of their origin, social and property status, race and nationality, gender, age, political convictions, attitude to religion in implementation of the right to freely choose the type of activity in accordance with abilities and professional training taking into account personal interests and social needs;

– promoting provision of effective employment, prevention of unemployment, creation of new jobs and conditions for development of entrepreneurship;

– coordination of activities in employment with other areas of economic and social policy on the basis of state and regional employment programs;

– cooperation of trade unions, associations (unions) of entrepreneurs, owners of enterprises, institutions, organizations or bodies authorized by them in cooperation with government bodies in developing, implementing and monitoring the implementation of measures for ensuring employment of the population;

– international cooperation in solving problems of employment of the population, including the labour of citizens of Uzbekistan abroad and foreign citizens in Uzbekistan.

Employment policy has several levels: national (macro), regional and local (micro). Employment policy at the macro level is decisive relative to other levels and therefore must be comprehensive and directed towards the achievement of the set promising development goals. This area: ensuring full and rational employment as a necessary prerequisite for realization of the right of citizens to work and to achieve a high level of the population.

The most important criterion of a socially oriented economy is the attitude to employment. Employment is considered as an integral part of a comprehensive social policy. Social orientation of employment problems is determined by its orientation, first of all, towards a person, his interests and needs in the sphere of labour.

At least *four social aspects* of employment should be considered:

1) strong relationship of employment with labour, the most important human right, enshrined in the Constitution;

2) employment plays a crucial role in forming the standard of living and conditions of a decent life. It is employment that is the most important guarantee for increasing labour activity, the standard of living of able-bodied citizens and their families;

3) formation of a new factor of high-performance labour, which is the basis for the wellbeing of each and society as a whole;

4) it is labour activity that changes a person, reveals and multiplies his professional abilities, stimulates the development of a personality.

These areas determine the ways of redistributing financial, tangible and labour resources in the national economy, the priority directions for development of science and technology, as well as ways of allocating productive powers and improving the quality of life. One of the most important issues is solving employment problems. The success of reform of the entire economy depends largely on the solution of the problem.

Main features of employment in a socially oriented market economy are:

– ensuring full and effective employment in order to create and effectively use the balance of labour resources of the population;

– voluntary labour activity and harmonization of the rights and duties of a person in the field of labour, elimination of social dependency of citizens, ensuring their equal responsibility and the state in finding work that ensures a decent life;

– in order to increase labour productivity, the effective use of labour resources in industries, areas and territories, as well as free mobility of labour power;

– creating favorable environment for the interest of entrepreneurs and employees on the basis of new incentives to labour;

– mitigation of negative consequences arising under the influence of a market economy.

These properties are new qualitative indicators of employment and for their formation it is necessary to create necessary conditions.

Employment policy has national, regional and local levels. All levels of employment policy are integrated with the concept of single employment. This concept reflects the accepted type of economic development.

As it is known, the methods of managing a market economy are aimed at increasing its efficiency, reducing economically non-feasible jobs and redistributing the labour power in order to ensure economic growth and satisfy consumer demand of the population. Under these conditions, the promotion of full employment becomes a strategic goal.

The *immediate* tactical goal is to balance the demand and supply of jobs. This can be achieved only through an integrated approach to achieving a balanced supply and demand for labour power. In solving this problem, it is necessary to pay special attention to development of a system of workplaces, which are a prerequisite for preventing mass unemployment.

In terms of increasing labour productivity, the necessary conditions are: reducing the population's demand for jobs, improving the program of social support for women raising children, young people who combine study with work and pensioners. At the same time, this also concerns the redistribution of labour resources by labour spheres, industries and territories.

In a market economy, the correspondence between the demand and supply of labour power can be ensured by flexible jobs, work at a distance, modern forms of employment.

The main problem in flexible forms of employment is the voluntary choice of type and organization of labour. These forms of employment consist in providing the employee with a choice between free and working time both in terms of the amount of time and in the mode of its use. They can only be used in enterprises (divisions) with the appropriate organizational and technological process of production and the state of production relations.

At enterprises and organizations that operate in different forms of ownership, labour rules must be brought in line with existing and well-thought tax and income policies for the effective functioning of the labour force. Removal of restrictions from business entities should be accompanied by a careful consideration of stimulating employees financed from budget funds. It is associated with certain areas (science, education, medicine, culture).

One of the most acute and important problems in formation of a qualitatively new state of employment in reforming the entire economy is *labour motives*. The main thing in the problem of flexible employment and vitality of a person, in particular, from a person's ability to work more efficiently than at present.

Motives of labour activity are the factors that determine the behavior of a person in the labour process (the content and nature of labour, economic and social labour incentives, social relations in a team, etc.). There are the following functions of motives in the labour sphere:

– orienting, targeting the employee to a particular behavior;

– semantic, reflecting the meaning of employee behavior; the motive in this case shows the significance of such behavior for a person;

– mediating, due to the result of the impact on the behavior of the employee, both internal and external motives, which is reflected in the motive;

– mobilizing, consisting in the fact that the motive makes the worker to get together and concentrate to perform important activities for him;

– acquittal, reflecting in the motive of behavior the attitude of the employee to the generally accepted and established model of behavior, one or another social norm.

Labour motives are very diverse. In accordance with the dual nature of a person, they are divided into two groups: material and social. The first are generated by the desire to gain income in the exchange of labour. At the same time, income can be in various forms: wages and other monetary compensations of labour efforts; payment in kind; monetary charges for treatment, education and social benefits, which the organization takes over, etc.

Therefore, in addition to reforming the forms of ownership and management, labour remuneration and distribution of labour power, the ability to stimulate employees more effectively, to stimulate work more efficiently, may not be just a manifestation of high professionalism, but also a high level of business development. Conditions for restoration of human health and efficiency is also important. In a market economy, production requirements increase not only for quality but also for the health of the labour power.

Moreover, today, in conditions of a deep restructuring of social and economic relations, in the motives of labour special attention is paid to social mood of citizens. This is not only providing a real improvement in living conditions at the present time, but also confidence in the future.

When it comes to social protection of the population, it is often perceived in a narrow sense – as state assistance to unemployed, especially the socially vulnerable segments of the population.

However, one of the most significant problems of society is to prevent mass unemployment and its prevention. Therefore, it is extremely important to provide state support to each individual member of the community in choosing a place of work, increasing social and professional mobility and high competitiveness of the labour power.

All this requires the development of the socio-economic process that contribute to democratization of the employment sector. First of all, it is necessary to create all conditions for mobility of labour resources, the possibility of changing the professions of workers, increasing the prestige of labour, expanding alternative forms of employment.

7.6. Employment, its main types and forms

In conditions of transition to a market economy, the problem of employment of the population acquires a new meaning in theoretical and practical aspects. Further development of the labour market has a key place in regulating employment. The main national resource, labour power is formed in the labour market and is distributed among enterprises, industries, regions.

Population accounting by types of socially useful activity allows us to distinguish the following types of employment:

1) productive – takes place in the areas of public material production; brings labour income to workers; eliminates the hidden unemployment of persons who are formally employed, but do not produce anything (excessive number of employees);

2) useful – spreads to all socially significant types of employment of able-bodied citizens, including full-time study, service in the army, raising children, maintaining household and personal subsidiary farming, caring for sick family members, elderly citizens, social and religious activities;

3) rational – reflects the ratio of productive employment with other types of useful employment or the proportion of distribution of labour resources of society by areas of socially useful activities, including the proportions of distribution of labour potential by occupation, industry, sectors of the economy;

4) full – with it, all those who wish to work with the existing (dominant) level of real wages have a job; according to another estimate, full employment takes place if satisfaction of the demand of everyone for jobs occurs subject to the economic feasibility of the proposed jobs. For an individual, full employment is work during the normal working day (week) established by law (in Uzbekistan, the normal working day is eight hours a day or 40 hours a week). The achievement of full employment cannot be ensured through a single market mechanism, it is necessary that the state and society constantly regulate this process, primarily in the fields of education, science, healthcare, environmental and national security, functioning of so-called natural monopolies (railways, energy and pipeline networks);

5) effective – it is employment of the population, providing a decent income, growth of educational and professional levels of able-bodied citizens on the basis of

the growth of social labour productivity and preserving the health of employees. According to another assessment, effective employment is appropriate, productive, socially useful, rational employment, satisfying public and personal needs. At the same time, productive employment is crucial for any society, which, firstly, determines the country's economic potential; secondly, it forms the level and quality of life of the population; thirdly, it is the most important component of full and effective employment, the key task of socio-economic policy of the state.

Forms of employment are organizational and legal methods and conditions for the use of labour. Within the framework of the national labour market, the labour activity of people is organized with the help of various norms of legal regulation of the duration and modes of working time, regularity and place of executing work. Depending on the mode (conditions) of labour, the following organizational forms of employment are distinguished:

– full working day/week (8-hour working day or 40-hour working week regulated by the legislation);

– shortened working day (a variety of full, but with shorter hours of work in hazardous, dangerous, difficult working conditions; for people between 14 and 18 years old);

– a separate working day (the daily rate of working hours is divided into parts with intervals of more than two hours between them);

– part-time (its duration is shorter than the normal working day);

– incomplete working week (shorter in duration than the full working week);

– home-based work (individual home-based work or with the help of family members);

– part-time job (implementing other paid work outside the working day of the main work; the so-called secondary employment);

– temporary (seasonal) work (within a specified period or a limited amount of work);

– self-employment (an independent search for employment and creation of a workplace at the own expense);

– labour semester (paid labour activity of students during the holidays).

On the organizational and legal form of enterprises, employment may occur in:

– public sector of the economy;

– cooperatives;

– joint stock companies with mixed ownership;

– private sector;

– at joint ventures;

– public organizations;

– personal subsidiary and household.

The labour market provides employment for the economically active population, attracting them to the production and services sector. Employment facilitates the transition of an employee to a more suitable workplace for him. Through the labour market, enterprises are provided with labour power with necessary quantity and quality required. The labour market shows which personnel, specialists, professions are in demand, which of them are redundant. This is an actual problem for many countries. Its solution means the creation of an efficient economy capable of ensuring the social development of society. Employment can be described as a set of measures and actions aimed at ensuring conditions and forms of attracting labour power to profitable activities, the formation, distribution, use, dismissal, retraining and redistribution of personnel.

To ensure full employment, the proposed jobs must be economically expedient, must meet the needs of the population in employment. At the same time, an economically expedient workplace means such workplaces that are adapted to achieve high labour productivity, to obtain a decent income, to ensure personal needs and the needs of the family. At the same time, this working place should not harm health and undermine human dignity.

Full employment does not mean the involvement of the entire working population in the sphere of professional labour. A person has the right to choose in the socially useful work one of the areas of employment (professional work, household, private enterprise, entrepreneurship, etc.). However, the main type of labour activity is employment by professional activity, generating income, increasing the wellbeing of the employee and his family members. The level of employment by professional activity is determined by the ratio of the total number of employees to the number of labour resources, regardless of the organizational and legal form of the enterprise in which they work. This means that this proportion of employment must fully meet the interests of improving production efficiency.

Employment in modern conditions becomes voluntary. The choice of classes is the result of the personal will of the person. Each able-bodied member of society decides for himself the issue of his labour activity and character. People can engage in entrepreneurial activity with all the resulting consequences: the possibility of obtaining high income, more complete expression, working without a boss, but also with the risk of ruin, loss of everything accumulated, etc.

For those who have no inclination and abilities for entrepreneurship, the situation also changes: the range of occupations is significantly expanding – from individual labour to working at a state enterprise. This changes the principles of choosing the type of occupation, the attitude of a person to labour activity, his requirements for the content, conditions and wages.

Only in conditions of functioning of enterprises of different types in the form of ownership does a person really acquire the freedom to choose a place of work and type of activity. This allows a person to gain economic independence and freedom. Freedom of entrepreneurial activity can significantly increase the number of jobs through the creation of new organizations, for example, small enterprises or as a result of development of self-employment.

At the same time, the multi-structured nature of the economy also determines another fundamental characteristic of employment of the population – competition. It arises, on the one hand, between people in the process of occupying prestigious jobs, and on the other, between enterprises for the employee, the most professionally competent and physically healthy. Competition for an employee existed before, but the possibilities of people and enterprises were completely different.

Employment status is determined for the part of labour resources involved in socially beneficial activities. These are groups of people who offer labour power for production of goods and provision of services for the purpose of generating income. There are also groups of the population for whom even participation in socially beneficial activities does not bring direct cash incomes and groups of people directly connected with production of goods and services and receiving income.

The first group includes corporate, joint-stock companies and citizens working in the private sector, employed in the public sector of economy. The second group includes students who are trained in isolation from production and members of the armed forces.

Thus, the employed population includes citizens who are employed, including those who have full or part-time (weekly) paid work, as well as citizens who are not employed at work due to illness, leave, confirmed by the relevant contract, agreement. Self-employed persons, including private entrepreneurs and farmers, citizens serving in military units are also considered to be employed.

A part of the population looking for a job, changing job, temporarily not working due to the seasonality of work, belong to the economically active group of the population who are not engaged in work. Persons with the status of unemployed, also belong to the economically active population, not engaged in work.

Effective employment is also distinguished in economics. *Effective employment* is appropriate, productive, socially useful, rational employment, satisfying public and personal needs. At the same time employment is crucial for any society, which, firstly, determines the economic potential of the country; secondly, forms the level and quality of life of the population; thirdly, is the most important component of full and effective employment – the key task of socio-economic policy of the state.

Effective employment makes a significant contribution to the economic and social development of the state. In addition to the most important role played by employment in ensuring the wellbeing of an individual, it represents the key to solving many of the broader social problems, including the growth of economic productivity and social cohesion.

Efficiency of employment is characterized by such indicators as growth of labour productivity, satisfaction of the population with work and achievement of full employment. The higher the labour productivity, the more the incomes of employees and tangible benefits accumulate in the society. At the same time, the technical and organizational improvement of the labour sphere will make it possible to improve the skills of personnel and improve working conditions.

Another factor in the effectiveness of employment is the level of employment of the able-bodied population. Economically, this indicator reflects the need for employment and jobs.

The third sign of employment is distribution structure of workers by economic sectors of the country. Currently, employment in the economy reflects a low level of efficiency in the use of the existing labour power and needs radical changes.

Finally, the fourth feature of effective employment is division of workers into professional qualifications, which reflects the distribution of employees according to their professional qualifications and the need of the economy for qualified personnel.

Currently, effective employment is formed by a number of factors.

1. Changes in production sphere:

– decrease in production volumes (works, services) due to a decrease in the supply of raw materials, materials and financing;

– improvement of organization and remuneration at enterprises;

– improvement of management structures at enterprises.

2. Economic factors that may manifest themselves in changes in the standard of living of the population, its income and consumption as a result of the growth of the consumer basket.

3. Socio-demographic group of factors:

– the number of able-bodied population;

– natural growth and mortality;

– continuous increase in the number of young people in the country (graduates of colleges and lyceums, who returned from military service, etc.);

– activation of the migration process.

In addition to the analysis of these indicators, consideration of factors of effective employment formation is of great importance. Since it is the population that represents the demographic source of labour potential, one of the most important factors influencing the formation of effective employment in the region is the number of the economically active population, fertility, mortality, natural growth, age composition of the population and coefficient of migration growth.

The labour productivity of the employed population, the quality of the system of workplaces and labour protection are influenced by such factors as the degree of depreciation of fixed assets, as well as the volume of innovative goods, works and services that demonstrate the innovative activity of organizations. Another important factor in formation of effective employment is investment in fixed assets by type of economic activity. This factor directly affects the change in the structure of employment of the population by sectors of the economy, simultaneously pointing to the priority areas of development of the territory.

Formation of an effective state demographic policy with the aim of influencing the process of reproducing labour resources and ensuring their employment requires a thorough analysis of the composition and dynamics of the socio-demographic groups of the country's population with an assessment of the degree of their involvement in socially useful activities.

Such an analysis suggests, first of all, the division of the entire population, firstly, by age into:

– persons younger than working age (up to 16 years inclusive);

– persons of working age (in Uzbekistan: women at the age from 16 to 54, men at the age from 16 to 59 inclusively);

– persons older than the working age, upon reaching which the pension is established (in Uzbekistan women are 55, men are 60 years old).

And, secondly, depending on the ability to labour activity, the allocation of able-bodied and disabled citizens. Non-able-bodied persons of working age are the disabled of the 1st and 2nd groups, and able-bodied citizens out of working age are adolescents and working pensioners by age.

The focus of the state employment policy is, first of all:

– population of working age, except for non-working disabled people of the 1st and 2nd groups and non-working people who receive pensions on preferential terms (women with five or more children and raising them up to the age of eight; citizens who retired earlier due to severely harmful working conditions);

– working citizens of the retirement age;

– working people at the age less than 16.

The high level of employment of women in Uzbekistan contributes to the creation of new qualities of the female labour power. For women, professional activities become an integral part of their lives.

Social and economic tasks of *youth* in employment are determined by its role in forming the country's labour potential. In this group, we can conditionally distinguish two large subgroups, students and working youth. The total number of young people entering the labour market and applying to employment assistance centers is associated with the release of jobs by older people. Much in this matter depends on in which sectors of the economy these places will be vacated.

An important method of regulating the employment of this socio-demographic group is to increase the number of students off-duty and provide more effective social support to women with children of preschool age.

People of the middle-age (30-49) are the largest group of labour resources in Uzbekistan, accounting for more than 55.0% of the total workforce. Its feature is to achieve the highest level of employment in the national economy. Workers of this socio-demographic group, basically, have their own professional interests. Therefore, the desire to change the place of work in this group is much less than in other socio-demographic groups.

Employment of people older than 50 years (10.0%) is determined by the age characteristics of this group: a decrease in social opportunities, a high level of professional knowledge and a great deal of practical experience. The level of employment in this socio-demographic group will sharply decline. This is due to the state of health, as well as the possibility of obtaining a preferential pension. People of pre-retirement and retirement age make up 5-6% of the economically active population.

Older people usually get used to a certain level of wages and do not change their place of work, even if wages are reduced due to unfavorable economic situations. At the same time, the management of most enterprises and institutions is interested in preserving the backbone of labour collectives, which reduces the recruitment of new, especially young workers. Therefore, the aging of labour collectives often occurs.

Older workers retain a higher productivity of labour, but requiring lower qualifications. This is one of the features inherent in the labour market, which still exists in Uzbekistan. In most cases, they perform unqualified work.

As for the issue of what will be the demand for labour of a group of older people in the future, then its decision depends on the chosen options for the development of the economy and formation of the labour market. It is known that as a result of a reduction in the overall demand for labour, the economic situation worsens, and the outflow of senior employees from the labour sphere is accelerating.

The most important factor reflecting employment of all socio-demographic groups of the population is the level of its mobility.

Mobility is a general concept that reflects the social status of the population, professional affiliation, and readiness for changes in place of residence. At the same time, regional mobility is one of the most important qualitative signs of the state of the labour power market.

Employment of the economically active population is a very important indicator in macroeconomics. The economically active population is the population of a country that has or wants and can potentially have an independent source of livelihood. According to the methodology of the International Labour Organization, this category include people at the age from 15 to 72:

– employed (entrepreneurs and hired workers);

– unemployed.

The employed refers to the working-age population, which has a job (Fig. 7.3).

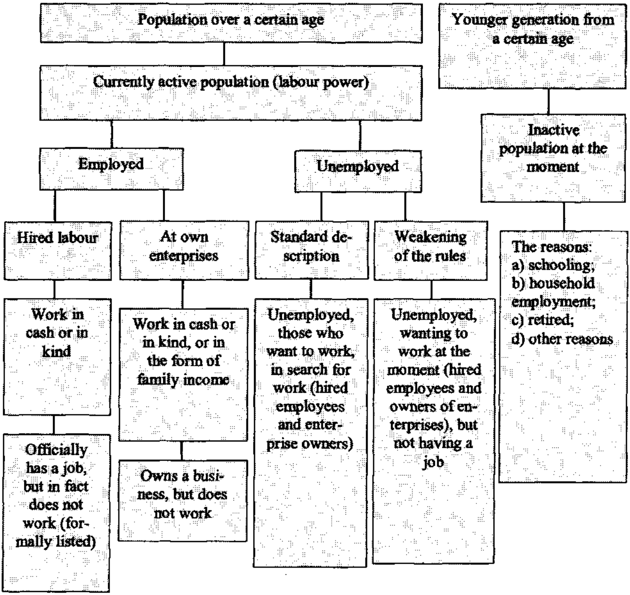

Fig. 7.3. Labour power structure (ILO methodology)

According to the legislation of the Republic of Uzbekistan, citizens are considered to be employed (at the age of 16 and above of both genders):

– employed, including performing work for remuneration during part-time or home-based work, as well as having other paid work, including temporary work;

– temporarily absent from the workplace due to illness, vacations, professional training, retraining, advanced training, suspension of production, as well as in other cases when, in accordance with the legislation, the place of temporary work is retained;

– elected or appointed to a paid position;

– self-employed people, including those engaged in entrepreneurial activities, artisans, members of family enterprises, members of dehkan farms, production cooperatives, farmers and others in accordance with legislation;

– serving in the Armed Forces of the Republic of Uzbekistan, including in the troops of the Ministry of Internal Affairs, the Ministry of Emergency Situations, the State Security Service of the Republic of Uzbekistan and their bodies, as well as alternative service;

– working in non-state non-profit organizations, including religious ones, operating in accordance with the legislation.

The unemployed are persons at the age of 16 and above:

– not having paid work or profitable occupation;

– job seekers and ready to start it as soon as it is offered to them;

– temporarily not working, ready to undergo professional training, retraining or advanced training (with the exception of *students in education institutions*).

According to the methodology of the International Labour Organization, *employed* in the economy are persons of both genders at the age of 16 and older, as well as persons of younger age who, during the period under consideration:

a) performed work for remuneration on full or part-time working hours, as well as other income-generating work independently or from individual citizens, regardless of the timing of receiving direct payment or income for their activities. Registered unemployed, performing paid public work, received through the employment service, and students performing paid agricultural work in the direction of education institutions are not included in the composition of employed;

b) temporarily absent from work due to: illness or injury, patient care; annual vacation or weekend; compensation or vacation time, compensation for overtime work or work on holidays (weekends); work on a special schedule; being in reserve (this happens when working on transport); statutory maternity, childbirth and childcare; training, retraining outside the workplace, study leave; leave without preservation or with preservation of content on the initiative of administration; strikes; other similar causes;

c) performed work without payment in a family business.

According to the ILO classification, the *economically active population* (*labour power*) is the part of the population that provides the supply of labour power for production of goods and services. The economically active population includes the employed and unemployed.

Economically active population is divided into groups:

a) employees, whose activities are managed or carried out in accordance with the established set of rules. Fixed assets, some or all of the tools, premises, as a rule, are the property of other persons;

b) hired persons, who unite the following four categories: individuals working on an individual basis; employers; unpaid family workers; members of collective enterprises. Their income (or family) is directly dependent on the results of activities on production of goods and services. They make management decisions that affect the activities of the enterprise, or delegate these powers, but leave themselves responsible for the wellbeing of the enterprise.

Classification by status in employment is based on the following definitions:

a) hired employees are persons who have signed a written employment contract, agreement or verbal agreement with the head of an enterprise of any form of ownership or an individual about the conditions of labour activity for which they receive an agreed upon hiring (i.e. upon concluding an agreement) payment in cash or in kind.

Elected, appointed or approved persons in a paid position, including directors and managers of enterprises, ministers of religious cults, are considered to be hired employees;

b) persons working on an individual basis are persons who independently carry out activities that generate income, do not use the work of employees or attract individual employees for a short period of time (seasonal and occasional work);

c) employers are persons who manage their own private (family) enterprise, farm, as well as persons engaged in professional activities or crafts on an independent basis and constantly using the work of employees.

An employer is the manager of a family enterprise if his family owns an enterprise without division into ownership shares between family members and uses the labour of employees on a permanent basis to carry out production activities. The employer may delegate his managerial functions to the hired manager, reserving responsibility for the benefit of the enterprise;

d) unpaid family business employees are persons who work without payment in a private family business owned by a relative;

e) members of production cooperatives and partners are persons who work in these enterprises and are members of the collective of owners who own these enterprises.

f) persons who are not classifiable by status are unemployed, not previously engaged in income-generating labour activities, or persons whose information makes it impossible to attribute them to a particular status in employment.

Employees are divided into subgroups:

a) civilian population;

b) military personnel.

Military personnel includes persons holding a military rank and on active military service under a contract or call. The servicemen do not include persons who serve in the internal affairs bodies as a private or commanding officer, who are given the special titles of "the police", "internal service", and "justice". Education in military schools at full-time education is not paid employment, vocational employment or temporary absence in the enterprise, organization[1].

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[1] Classification of the ILO of statistics on labour power, economic activity and employment status: //https://www.ilo.org/moscow/lang--ru/index.htm.

CHAPTER VIII.

EMPLOYMENT OF NON-COMPETITIVE POPULATION IN THE LABOUR MARKET

8.1. GUARANTEES OF EMPLOYMENT OF NON-COMPETITIVE DISABLED PEOPLE IN THE LABOUR MARKET

There are uncompetitive categories of the population, the elderly, the disabled, women in the labour market. Their guarantees of the right to work are enshrined in international documents, as well as in laws and other normative and legal acts of the Republic of Uzbekistan.

In the Labour Code of the Republic of Uzbekistan and the Law "On Employment of the Population", special attention is paid to employment of the unemployed, young people, women and people with disabilities in the labour market, as well as guaranteed employment of socially vulnerable groups of the population. New jobs created in the regions are mainly intended for employment of graduates of education institutions, women and socially vulnerable categories of the population with disabilities.

The Law of the Republic of Uzbekistan "On Family Entrepreneurship" strengthens legal guarantees for family business, an important form of small business and private entrepreneurship. In family business, in contrast to other types of entrepreneurship, there is an opportunity for independent determination of working time and volume of work, which makes it possible to involve at least partially in the labour activities of students and other categories of citizens uncompetitive in the labour market. This organizational form creates convenient and socially acceptable conditions for young people entering the labour market for the first time to start labour activity and entrepreneurship.

To ensure employment of socially unprotected categories of the population that are not competitive in the labour market, it is especially important to create jobs in labour-intensive sectors of the economy (light, textile, food industry, etc.).

In particular, the ILO Convention No. 159 on Vocational Rehabilitation and Employment of Disabled Persons determines that each member shall consider the purpose of vocational rehabilitation as being to enable a disabled person to secure, retain and advance in suitable employment and thereby to further such person's integration or reintegration into society.

And Convention No. 156 of the International Labour Organization concerning Equal Opportunities and Equal Treatment for Men and Women Workers: Workers with Family Responsibilities indicates that all measures compatible with national conditions and possibilities, including measures in the field of vocational guidance and training, shall be taken to enable workers with family responsibilities to become and remain integrated in the labour force, as well as to re-enter the labour force after an absence due to those responsibilities.

The current legislation of Uzbekistan also provides for job security in the labour market for non-competitive categories of the population. Article 7 of the Law "On Employment of the Population" provides for the provision of additional guarantees for employment of certain categories of the population:

– to persons in need of social protection, experiencing difficulties in finding a job and not able to compete on equal terms in the labour market, including single parents and large families who have children under the age of fourteen and disabled children;

– to young people who graduated from secondary special, professional education institutions, as well as graduates of higher education institutions who studied under state grants;

– to dismissed from military service from the Armed Forces of the Republic of Uzbekistan;

– to persons with disabilities and persons of pre-retirement age;

– to persons released from punitive institutions or subjected to coercive measures of a medical nature by a court decision;

– to victims of human trafficking.

Additional guarantees are provided through the creation of additional jobs, specialized enterprises, including enterprises for the labour of disabled, organization of special training programs, establishment for enterprises, institutions and organizations of a minimum number of jobs for employment of the above categories of citizens, as well as other measures stipulated by the legislation.

Enterprises, institutions and organizations define and employ the minimum number of jobs for people in need of social protection and having difficulty in finding a job.

Namely:

– for fathers and mothers who bring up children under 14 years old alone, who have children with disabilities, parents with many children;

– the opportunity to work with a shiftable work schedule that will allow them to share their responsibilities for parenting and working responsibilities;

– for graduates of education institutions – in accordance with their professional training;

– for persons demobilized from military service – in accordance with their professional training;

– for citizens with disabilities – who have passed certification on working conditions and having the ability to freely implement the labour process (taking into account contraindications to the state of health and labour activity);

– for persons of pre-retirement age who are registered in district (city) centers as job seekers that do not require special qualifications;

– for persons released from a punishment institution, serving a sentence or in respect of whom compulsory medical measures have been taken by a court decision,

– for persons who do not have a certain profession, qualification, taking into account their professional training, jobs that do not require special qualifications shall be prepared and employment shall be ensured.

The employer is obliged to recruit certain categories of the population that are not competitive in the labour market, sent by local labour authorities and other bodies in the manner prescribed by the legislation for employment in the workplace due to the established minimum size of jobs. The employer and his authorized persons who unreasonably refused to hire these persons are held accountable in the established manner.

Professional training and advanced training of citizens with disabilities in Uzbekistan is provided in education institutions, including specialized education institutions, as well as at enterprises of public associations of workers with disabilities, together with social security institutions in accordance with the individual program of rehabilitation of workers with disabilities.

At enterprises, institutions and organizations with more than twenty employees, local government authorities establish and maintain a minimum number of jobs for employing people with disabilities in the reserve in the amount of at least three percent of the number of employees.

Specialized enterprises, workshops and sites are organized for using the labour of citizens with disabilities, taking into account the needs of workers with disabilities and local characteristics. Workers with visual disabilities have a preferential right to participate in production, the conditions of which correspond to their capabilities.

Local state governing bodies, organizations provide necessary assistance to citizens with disabilities at home, as well as persons with disabilities engaged in entrepreneurial activities in providing places to live, purchasing raw materials and selling products.

It is not allowed to refuse to conclude an employment contract with employees due to disability or appointing them to a higher position for work, terminating an employment contract concluded with them at the initiative of the employer, transferring employees with disabilities to another job without their consent. Workers with disabilities have the right to a previous job or an equivalent employment after vocational rehabilitation.

Citizens in need of social protection and finding a job in accordance with the Regulations on the procedure for hiring, workplaces for people with disabilities are:

– parents of large families who have children with disabilities and who have a variable work schedule, which does not allow combining the functions of raising children with labour duties;

– citizens with disabilities, certified on working conditions and having the ability to freely perform the labour process (taking into account contraindications to the state of health and labour activity).

Guarantees of employment of the population, non-competitive people in the labour market and people with disabilities in Uzbekistan are controlled by the state and necessary measures are being taken for their implementation.

8.2. Objectives for female entrepreneurship development

Development of entrepreneurship is an important condition for achieving the goal of sustainable and inclusive growth. Development of entrepreneurship is also a means for responding to new economic challenges, for creating jobs and overcoming social and financial isolation.

Measures aimed at ensuring employment of women who are uncompetitive in the labour market are being consistently implemented in the country. Government programs provide for ensuring employment of women through development of family business, home-based work and craftsmanship.

In Uzbekistan, more than 51% of the population are women. Currently, more than 62% of women work in various sectors of the economy. 46% of all employed in the national economy, including 52% in industry, 37% in trade, 73% in healthcare, 48% in agriculture, 60% in education, 32% in administration are women.

More than 120 thousand entities of small business and private entrepreneurship, including 4 551 farms, are headed by women. Over the past 10 years, the number of women employed in small and private enterprises has increased 1.6 times. More than 40% of these households are managed by women.

Female entrepreneurship plays an important role in organizing the production process at the international level, achieving sustainable economic growth, filling the markets with qualitative consumer goods and services, including in providing employment to the population.

It should be noted that one of the main programmatic tasks of the Women's Committee of Uzbekistan is to develop women's entrepreneurial skills and support their business ideas, including the provision of soft loans.

In Uzbekistan, family entrepreneurship is initiative activity implemented by family members in order to obtain income (profit) at their own risk and under the property responsibility.

Family enterprise has the right to:

– independently organize activities for production of goods (works, services), manage the produced goods (works, services) and set the price for them;

– independently form their financial assets and attract borrowed funds, including receive loans for formation of the initial (starting) capital;

– use leasing and insurance services;

– conclude contracts, including for the purchase and sale of goods (works, services);

– receive income (profit) from entrepreneurship in an unlimited amount;

– carry out foreign economic activity.

Programs for development of female entrepreneurship, family business, provision of loans and organization of credit unions have been developed in the country. A Public Fund for Full Support of Women and Families has also been established. At the expense of the Fund, women's employment, improvement of working conditions, as well as measures are taken to attract young girls from rural areas to family and private entrepreneurship, craftsmanship. The Center for Development of Market Structures at the Chamber of Commerce and Industry of Uzbekistan organized permanent special courses for women "Start your business", "Acquaintance with business", etc. All this creates necessary conditions for development of active entrepreneurship among women without interrupting them from home-based work and parenting.

One of the current problems is to ensure employment of non-competitive women in the market. In order to strengthen the guarantees for protection of women's labour rights, further support their entrepreneurial initiatives, and stimulate labour activities, the Decree of the President of March 7, 2019 "On measures for further strengthening the guarantees of labour rights and supporting women's entrepreneurial activity" was adopted.

By this Decree, starting from May 1, 2019:

– prohibitions on the use of women's labour in certain industries or professions are canceled;

– recommendation list of industries or professions that may adversely affect women's health is approved;

– if the father uses at least three months of parental leave, an extra parental leave is granted to one of the parents for the duration of one month with the payment of benefits in the manner prescribed by Article 234 of the Labour Code of the Republic of Uzbekistan;

– one of the parents raising a child under the age of two, due to breaks for rest and meals, as well as feeding the child provided during work, in coordination with the employer, is given the right to establish a break time used during the day;

– it is prohibited to terminate, on the initiative of the employer of an employment contract concluded for an indefinite period, due to the attainment by women of retirement age or the emergence, according to the legislation, of the age retirement rights before the age of 60, as well as a fixed-term employment contract before its expiration;

– when considering cases in the courts about violation of equality of men and women, the payment of legal services rendered to women by lawyers is covered at their request, at the expense of the state.

On the basis of the program "Every family entrepreneur", commercial banks are offering microcredits for creating small business, private enterprises and family businesses, supporting home-based work and other types of work among women who are not competitive in the labour market. Such microcredits are mainly allocated to women, low-income families and other socially vulnerable people without collateral in the amount not exceeding 100 minimum wages.

In addition, the Ministry of Employment and Labour Relations of the Republic of Uzbekistan provides grants to professional education institutions from the State Fund for Promotion of Employment of the Republic of Uzbekistan for financing professional retraining of women living in unemployed low-income families registered in employment promotion centers.

The Tax Code provides benefits for women with 10 or more children, single mothers with two or more children, women working in dangerous (harsh) and harmful conditions.

Businesswomen of Uzbekistan created the Tadbirkor Ayol Association (Woman Entrepreneur). The Association is engaged in promotion of women's entrepreneurship, in particular, contributes to the allocation of preferential microcredit for rural women. Resource centers established in its regional offices serve the wide involvement of women in entrepreneurial activity, handicrafts and home-based work.

Development of entrepreneurship in the country serves to guarantee the rights of women to decent work.

8.3. Providing employment for non-competitive youth in the labour market

Implementation of five initiatives of the President of the Republic of Uzbekistan implies, in particular:

The first initiative envisages involvement in 2019-2020, 2 million young people at the age of 14 to 30 in culture and art. To do this, additional classes will be opened in children's schools of music and art, instrumental, vocal and visual arts clubs, amateur theater groups and children's ensembles in cultural centers. It has been determined that some cultural centers should be built, reconstructed, repaired and re-equipped.

The second initiative provides for involvement of young people in sports. For this purpose, in the next two years it was proposed to build small sports halls in each district using lightweight structures and sandwich panels.

The third initiative is effective use of computer technologies and the Internet, for which until 2020 free training centers on digital technologies will be created in the country and about 19 thousand social facilities will be provided with high-speed Internet access.

For the implementation of the fourth initiative, a program has been developed to increase the spirituality of young people and to promote the reading culture. It was decided to send 1 million books to each region, including fiction, historical, scientific and educational literature. Reconstruction of information and library centers and opening public libraries on the initiative of entrepreneurs are planned.

Currently, more than a billion young people between the age of 15 and 24 live in the world. They constitute more than 20% of the total population. 85% of young people live in developing countries. Despite the fact that the current generation is recognized as the most educated in the history of mankind, 113 million children do not attend school. In the modern world, 130 million teenagers are illiterate.

According to statistics, even in Europe there are more 5 million unemployed people at the age of up to 25. In developing countries, young people are mainly engaged in informal sector of the economy. According to economists, the younger people will be employed in informal work, the more difficult the situation will be for the country's economy.

Concern about the growing number of drug addicts, criminals, the unemployed and racists among young people in the United States is growing. According to the Center for American Progress, more than 10 million young Americans are currently experiencing difficulties in finding a job.

Global youth unemployment in the world amounts to 13.1%. This figure is three times higher than the unemployment rate among adults. According to the International Labour Organization, this figure is even higher in the countries of the Middle East, North Africa, as well as Latin America, the Caribbean and Southern Europe. According to observers, young people living in developed countries have become the main victims of the global crisis. The Organisation for Economic Co-operation and Development, after analyzing this situation, called it a crisis among young people.

Another cause of the crisis is that in developed countries, employers prefer to dismiss young people rather than adults.

Africa is the leader in youth unemployment. In Liberia, Malawi and Togodo, more than 70% of young people under the age of 25 are unemployed. Even China and India, having a developed economy, cannot cope with this problem. True, the situation in these two countries cannot be compared with the situation in Africa and Latin America.

Even more disturbing is the gender aspect of youth labour activity. According to ILO statistics, 76% of school graduates who are inactive in the labour market (not working and not looking for job) are female graduates. The proportion of girls who do not study and do not work anywhere, do not undergo professional training and do not look for job is 30%, which is twice as high as this indicator among boys.

Young women who have entered the labour market are in an unfavorable position in many key statistical indicators. Among these indicators are: unemployment growth, persistent wage inequality (young men earned 36% more than young women, in all sectors and professional areas), a higher proportion in the informal sector (75% of young women at the age of 15-29) and a longer transition from school to labour activity.

Another flaw occured among young people. 21st century is the century of science and technology, the era of progress. Modern world cannot be imagined without computers, mobile phones and nanotechnology products. This significantly influenced the worldview of young people. They often spend their time on entertainment, preferring only to communicate in social networks of the Internet. Internet addiction is an incurable disease of the 21st century. It is alarming that more and more people are moving from real life to virtual world.

Youth is our future. If the country has problems with youth, then it has no future. Therefore, the youth problem requires great attention. It is required, first of all, to solve the issue of youth employment.

Chronic unemployment and the lack of qualitative jobs continue to impede the aspiration of young people to decent work. In 2017, the share of young people in the total number of unemployed in the world was estimated by the ILO at more than 35%. In 2017, 39% of young workers in developing and emerging market countries, or 160.8 million young people lived in conditions of moderate or extreme poverty, i.e., less than 3.10 USD per day.

Special attention in the state youth policy of Uzbekistan is paid to the problem of employment. In particular, the main directions of the state youth policy are defined:

– ensuring the rights, freedoms and legitimate interests of young people;

– creation of conditions for employment of young people;

– creation of conditions for development of youth entrepreneurship.

The state takes measures for ensuring employment of young people after graduating from a secondary special, professional or higher education institution, creates conditions for providing young men and women with benefits and the possibility of combining work with education, taking into account age characteristics.

In order to provide state support to youth entrepreneurship, concessional loans are provided for engaging in business activities. Programs aimed at establishment of appropriate benefits for youth training in the basics of entrepreneurship, development of cooperation between education institutions and employers on a contractual basis, supporting youth entrepreneurship will be developed and implemented.

Assistance in employment of young citizens experiencing difficulties in finding job and not able to compete on equal terms in the labour market is provided by creation of additional jobs and specialized enterprises, creation of special training programs, as well as creation of a reserve of the minimum number of jobs at enterprises, institutions, organizations for employment of young people in need of social protection.

Local state governing bodies are also entrusted with the task of ensuring implementation of youth employment policy, organizing the monitoring of the labour market and the practice of employing young professionals.

State labour bodies:

– participate in development and implementation of state programs, regional and other programs in state youth policy;

– analyze the level of youth employment on a systemic basis, participate in ensuring their respective employment;

– carry out innovative system of professional training and retraining of youth;

– interact with other bodies and institutions involved in implementation of the state youth policy.

Civil society institutions also contribute to ensuring youth employment at enterprises, institutions and organizations located in the respective territory.

The mechanism for ensuring the effective employment of young people and reducing unemployment rate is one of the main socio-economic mechanisms. Its effective operation requires the following measures:

– strengthening the role of local civil society institutions in addressing specific, particular problems of the regional youth labour market;

– implementation of socio-economic programs in the regions with high unemployment among young people at the expense of the state budget and extra-budgetary social funds;

– elimination of negative complications of mass unemployment among the population of cities and industrialized centers with a mono-economic structure;

– prevention of mass dismissals of young workers, preservation of existing and creation of new jobs for young people, long-term planning of training and retraining of young personnel for new progressive production structures;

– ensuring the labour rights of young workers in economically vulnerable enterprises, effective support for young people who have lost their jobs;

– in order to improve skills and social protection to organize large-scale "youth building" with necessary infrastructure.

Formation of the youth labour market, which is part of the national labour market and its territorial branches, is a complex, multi-stage, long-term, but objectively necessary process. Its development will be difficult to proceed both for young people and for employers. This market differs from other markets by the feature of working capital. In this context, it plays an important role in ensuring macro, meso and microeconomic balance, social and political stability.

In Uzbekistan, the youth labour market has its own internal structure, characteristics, range of interests and labour rhythm. It differs from other elements of the labour market by the system of various qualitative components (subsystems, structures, objects), which are interconnected by various relations.

Youth is a special period in the life of every person, so we can talk about the historical integrity of the youth labour market, since all generations of the world's population have passed through youth. In addition, since the emergence of a class society, an employee offers labour power to the labour market, where employers find qualified young people to fill vacancies.

8.4. Training of Unorganized Youth in Competitive Professions in the Labour and Employment Market

Protection of the rights and interests of young people, providing them with modern education, professional suitability for labour activities and provision of employment acquires special relevance as priority tasks in Uzbekistan. This is of particular importance in conditions of modern globalization, in an era of increasing risks of religious extremism, terrorism, drug addiction, trafficking in people, illegal migration, mass culture, creating serious problems in the life of young people. Therefore, it is important to pay special attention to the problem of young people in the country, to listen to their opinions, to listen and solve their problems, especially in working with unorganized youth.

Unorganized youth are young men and women who usually do not study or work anywhere. The lack of competitiveness of young people in the labour market is due to the lack of knowledge, skills and experience.

The current situation of youth in the labour market is influenced by the following factors:

– graduates of secondary and higher education institutions do not have enough experience for working in specific workplaces of production in their specialty;

– discrepancy of knowledge obtained in the education institution and necessary skills required by specifics of production;

– dissatisfaction of young professionals with working conditions, mainly wages;

– uncertainty of prospects of labour activity;

– discrimination of young workers by employers, not providing young people with a number of benefits provided for by the current labour legislation.

In 2018 in Uzbekistan, according to the Ministry of Employment and Labour Relations, the unemployment rate among young people at the age of 16 to 25 exceeded 17%. The majority of unemployed among young people are college graduates.

The main reason for this is that the personnel training system in professional colleges did not provide the real needs of the sectors of the national economy. The established quotas for admission to professional colleges did not take into account the conjuncture of the labour market and the availability of opportunities for organizing production practices, resulting in problems with employment of graduates. At the same time, strong business ties have not been established between education institutions and sectors of the national economy.

Professional colleges and higher education institutions prepared significantly more specialists in some professions and specialties than the real demand in the labour market demanded, and in other professions and specialties fewer specialists, which did not satisfy the demand in the labour market.

It has been determined that establishment of close cooperation between education institutions and production through the labour market can solve the following problems:

– *firstly*, state and household expenditures on training specialists justify themselves if graduates of vocational colleges receive paid work in production. The lack of a permanent job at enterprises and organizations in specialties received by young people leads to irrational investment in human capital;

– *secondly*, the level of training specialists in education institutions lags behind the pace of scientific, technical and innovative development (curricula and plans in education institutions become obsolete for many years, although the amount of necessary knowledge increases twice in three years);

– *thirdly*, the inability to timely meet the needs of production in a particular specialty (changing directions and types of education in education institutions seriously lags behind the pace of economic renewal);

– *fourthly*, the discrepancy between the knowledge and skills provided to students in education institutions, practical production requests, etc.

In general, practice shows that the education system, which is not connected with either the labour market or production, is literally not capable of preparing highly qualified specialists for the economy.

Therefore, the country has taken measures on fundamentally improving the system of general secondary, secondary special and professional education based on the experience of developed foreign countries, creating conditions for training qualified personnel, increasing employment of their graduates. So, the following were scheduled:

– training qualified personnel in demanded specialties, including related ones, taking into account the priorities and prospects of economic development, modern technical and technological tendencies with practical skills of working with the use of modern information and communication technologies and with knowledge less than two foreign languages;

– coordination of activities of professional colleges for primary improvement of the quality of training specialists demanded by the industries and economic sectors, taking into account the real requirements in personnel and proposals of enterprises-employers;

– organization of the pedagogical process on the basis of new forms and methods aimed at educating young people as harmoniously developed personalities in the spirit of patriotism and devotion to the idea of national independence, as well as at developing the spiritual and moral qualities of students based on our rich scientific, cultural and spiritual heritage, respect for national and universal values;

– comprehensive development of cooperation with leading domestic and foreign education institutions, attracting highly qualified foreign specialists in the field of professional education for joint implementation of modern innovative educational projects;

– bringing the requirements of national standards of professional education in line with the requirements of the International Standard Classification of Education, international qualification frameworks, organizing work on phased provision of compliance and recognition of national qualification requirements to their international counterparts;

– systematization and subsequent introduction of the accumulated practical experience in organizing a differentiated educational process, organically combining the acquisition of a general education along with the profession, as well as the effective integration of non-state education sector into the state system of continuing education;

– ensuring close interaction of the system of professional education and production with the active use in the education process of innovative ideas, technologies and developments in order to train personnel capable of effectively participating in the process of further reforming, modernization and achieving sustainable growth of the country's economy;

– implementation of measures for formation of modern material and technical base of professional colleges, including highly efficient teaching and laboratory equipment, computer equipment and innovative technology parks, and its further strengthening and effective use.

The experience of the developed countries of the world also vividly demonstrates the importance of the inextricable link of education institutions with the production and labour market in preparation of modern highly qualified personnel for the national economy. In particular, the conducted scientific studies by experts of the Organisation for Economic Co-operation and Development showed that an increase in duration of education in the field of education by one year leads to a GDP growth of 3.0-6.0%.

"There is little doubt from our research that education and training are decisive in national competitive advantage. The nations that invest the most heavily in education had advantages in many industries that could also be traced in part to human resources and those industries that were the most competitive were often those where specialized investment in education and training had been unusually great", said famous scientist M. Porter in his work "International competitiveness".

Under conditions of the previously existing system of relations between education institutions and enterprises, there was a state distribution of graduates of education institutions. With development of a market economy in relations of the education institution – enterprise, effective economic mechanisms, in particular, marketing, have become more widely used.

According to the available data, 650 thousand of Uzbekistan's young men and women are unorganized young people, 98% of them do not work anywhere. Taking into account the situation, centers of free education and re-training of young people, especially unorganized ones, for up to 6 months have been established in the system of compulsory secondary education in Uzbekistan.

In order to increase the interest of unorganized youth in entrepreneurship, they are introduced to peculiarities of industrial enterprises and business entities.

At the same time, unorganized young people with a penchant for entrepreneurship and farming are assigned to experienced entrepreneurs on the basis of a "master – apprentice" system. Legal, technical and other advisory assistance has been established on preferential terms for young entrepreneurs who are starting their own business. Young Farmers Council helps unorganized young people to be engaged in agriculture. At present, 4 800 young farmers make a worthy contribution to development of agricultural products on an area of 300 thousand hectares, 1 158 young farmers are managing large farms.

CHAPTER IX.

MOBILITY AND MIGRATION OF LABOUR IN THE LABOUR MARKET

9.1. Mobility of labour and its types

Mobility of labour is a kind of symbol of our time. A modern person during his labour life can not only, but often have to change several professions and places of work, and organizations have to constantly update the profile of their main activities and the personnel structure of employees. The category of "mobility of labour" includes three groups of the process that characterize the peculiarities of personnel labour behavior and personnel policy of organizations in the era of post-industrial society. These include:

1) change of specialties and mastering related professions;
2) combination of work;
3) free movement of labour resources.

Labour mobility is an integral part of the modern world, since it is the mobility of personnel that ensures stable development of the entire enterprise. But it is also worth noting that mobility is an integral characteristic of the employee, this is an indicator of employee flexibility. This is the ability of the employee to adapt to new working conditions, which implies not only mastering new equipment or changing jobs, as well as changing lifestyles in general, if required by a new workplace.

Labour mobility terminologically expresses any labour change, and the essence of this concept is, above all, the labour growth of people. The stability of an employee or a collective has in its content not the absence of changes and development, but the process of functioning, consolidation and strengthening in the achieved labour positions.

Mobility of labour is the level of workers' willingness to move from one region to another (*geographical mobility*), as well as the willingness to change one type of labour activity to another (*occupational mobility*). At the same time, there is also *horizontal mobility* and *vertical mobility* of labour resources. In horizontal mobility of labour resources, the status of the employee remains unchanged, and in case of vertical mobility, it changes.

Types of labour mobility are classified by territorial, professional principle and duration (Fig. 9.1).

Depending on the type of movement, labour resources are distinguished between internal and external mobility. Internal mobility is carried out within the framework of one state, between its regions, districts and cities. The movement of labour resource from one country to another is external mobility.

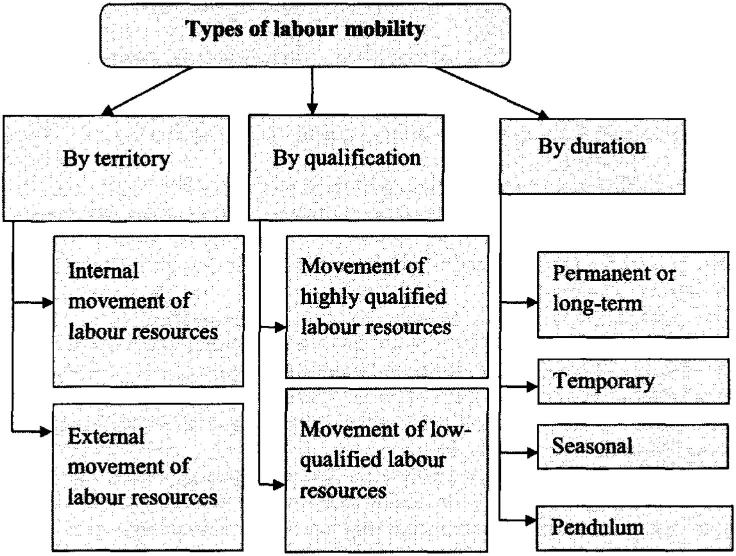

Fig. 9.1. Types of labour mobility

Internal territorial mobility of labour is considered as a positive factor in development of a modern economy. It affects the labour potential of the country, determines the position on the national and regional labour markets and directly contributes to efficient use of labour resources.

As a result of labour mobility within the country, expenses associated with a change of residence are considered as investments in human capital. These costs are compensated by improving living and working conditions in new workplaces, by raising wages and earning additional income.

In external labour mobility there are donor countries (exporters of labour) and recipient countries (importers of labour). Labour migrants provide recipient countries with labour resources, and in donor countries they increase the level of employment of the economically active population.

Professional mobility implies a change in the content of work with a change in the previous profession, qualification, specialty or position of an employee. This type of labour mobility is largely associated with the acquisition by the personnel of an additional profession and specialization, as well as with motivation to change labour activity.

The main type of professional mobility is transition from unqualified work to more qualified work. In the era of innovative development, this type of labour mobility plays an important role. Today, the demand for highly qualified personnel is high in all countries of the world, including the labour markets of Uzbekistan.

The mobility of labour, depending on its duration, can be:

– permanent or long-term (moving to another place for long continuous work);

– temporary (for example, transfer to another place on a contractual basis for a certain period);

– seasonal (for example, involvement in agricultural work);

– pendulum (regular visits to work, for example, from rural to city).

Mobility of labour depends on the following factors:

1. *Dynamics of strategic development of the economy and its features* are factors that create new jobs in the process of economic growth, as well as favorable conditions for mobility of labour.

2. *Innovative development of science and technology*. Modernization and diversification of production, introduction of innovative technologies increase the demand for the quality of labour resources. As a result of this, employees realize the need for improving their skills and, in addition, acquiring new specialties. Qualitative change in the labour potential of an employee increases his mobility in the labour market.

3. *Changes in economic stability*. Rapid development of some sectors of the economy and slowdown in production in others change the structure of demand for labour resources in one sector and increase demand in another sector, which increases the mobility of workers in these sectors.

4. *Investments in the economy*. Increasing in capital investment increases production, the demand for labour resources in the labour market and expands economic zones for increasing mobility of labour resources.

5. *Change in inflation*. High level of inflation reduces the real incomes of the population and forces them to look for additional benefits, which, in turn, stimulates the development of additional professions.

6. *Increasing the needs of an employee* (material, social, intellectual). Improving their own qualifications by employees, development of additional specialties, stimulate the search for a job with higher wages and employee mobility.

7. *Changes in labour conditions*. Reducing wages, worsening living conditions and limited ability of a person to invest in human capital serve as motivation for labour mobility.

Currently, labour mobility has age-related properties. Most of those who change the place of residence due to work are young men and women at the age from 15 to 35. This has its reasons:

– *firstly*, population growth on different continents is currently characterized by inequality. So, if the birth rate of children in many African and Asian countries is extremely high, in European countries it is sharply reduced. According to the United Nations Population Division of the Department of Economic and Social Affairs, if the birth of children in Europe remains at its current level, the population of the continent could be reduced by 42 million people by 2050;

– *secondly*, in the European countries the aging process of the population is accelerating. By some estimates, until 2025, 47% of the population of Europe will consist of pensioners. In other words, for every working citizen there will be one pensioner. In such a situation and in the most developed countries, the implementation of social programs will become extremely complicated.

85% of the world's youth live in developing countries. Forecasts that they can join the ranks of the unemployed are 3.8 times higher than those of adults (even in developed countries this figure amounts to 2.3). Due to the high unemployment rate, young people are willing to work for low wages and in poor working conditions.

At the same time, the growing number of young people greatly exceeds the capacity of employment in their countries. Over the past decade, the total number of young people in the world has increased by 10.5% (1.1 billion people), and employment of this group is only 0.2% (526 million new jobs).

Men and women entering the labour market (at the age from 14 to 30), differ in age, gender, level of education, worldview.

Conditionally, they can be divided into three groups:

1. At the age of 14-18. These are mainly students of schools, lyceums and higher education institutions. Their main task is to choose a future profession. If in developed countries the majority of people at this age continue their education, in developing countries their peers are already starting to work. There is an opinion that this contributes to formation of such qualities in them as manifestation of interest in labour activity, independence, initiative. However, the early start of labour activity will lead to the lack of necessary level of education. This means that from the very beginning they will occupy places among low- qualified workers.

2. At the age of 18-24. At this age, young people finish or just has finished their professional training. However, they may not yet have necessary professional experience and will not be competitive with experienced workers. For their employment, the obtained level and quality of education, as well as low demand for graduates of education institutions in the labour market will interfere. Research conducted in the world show that more than half of young people who graduated from education institutions cannot find work in their specialties.

3. At the age of 25-30. Young people of this age basically already know the perspectivity of their professions and have some work experience. Most of them at this time create families and place high demands on the workplace. However, not finding a job that meets their expectations can lead to serious social consequences (divorce, alcohol abuse, drug addiction, entry into criminal groups, etc.).

A number of studies conducted by the World Bank have revealed very serious problems in integration of youth into the labour market. Research by economists has proven that youth unemployment is causing long-term job losses. For example, every 3 months of unemployment among young people at the age of 22 leads to an additional 1.3 months of unemployment between the ages of 28 and 33. At the same time, men who experience a year of unemployment under the age of 23 will earn 23% less than their peers 10 years later, and 16% less than 20 years later.

In general, according to the International Organization for Migration (IOM), the migration process is constantly increasing and will reach 300 million by 2030. This situation requires taking necessary strategic measures in this area.

9.2. Interterritorial labour mobility

Territorial mobility is a change of a workplace, accompanied by geographical movement. Labour mobility can be the basis of migration, but a reverse situation is also possible, when migration occurs for political, social or other reasons, and the change of workplace is already a consequence of migration process.

Thus, the migration of labour power is a spatial movement of the able-bodied population, caused by changes in development and location of production, conditions for the existence of labour power.

The migration flow is the total number of migrants having common arrival and departure areas for a certain period of time.

Migration is distinguished to be internal (within the country of residence) and external (associated with intersection of interstate borders). In external migration, there are two streams: emigration (outflow of the population outside the state) and immigration (influx to the territory of this state). In internal migration, there is intercity migration, between city and village, and migration in rural areas. Permanent or irrevocable migration and return migration are distinguished by the criterion of time.

A special case is the pendulum migration, which includes the regular movement of labour power from one settlement to another to work and back.

Rational distribution of labour resources among the regions is a necessary condition for ensuring accelerated socio-economic development of the country. Distribution mechanism serves to establish the balance of difference between labour power in regions and more efficient use of labour resources.

Mobility of labour between the territories depends on the following factors (Table 9.1):

– dynamics and characteristics of development of economy of the region. In the period of economic growth, new jobs are created in the regions, which, along with the regulation of the labour market, creates favorable conditions for interregional labour mobility due to the need for additional personnel;

– increasing the investment attractiveness of territories. The increase in capital investment increases production, the demand for labour resources in the regional labour market and expands the economic space for increasing the mobility of labour resources;

– *increasing the needs (material, social, intellectual) of an employee.* Increasing one's own qualifications by workers, mastering additional specialties stimulate a job search with higher wages and mobility of an employee.

Table 9.1

Factors of interterritorial migration of labour resources

Causes of interterritorial migration of labour resources	**Factors of interterritorial migration of labour resources**	**Results of interterritorial migration of labour resources**
The need for changing a workplace	Current position	Living standard, social infrastructure, housing
	Possibility of improvement	Possibility of improving housing conditions
	Incurred expenses	Expenses for house, apartment

Acceptability of the new workplace	Situation in the new workplace	Salary, working conditions, work content, working time
	Opportunities in the new workplace	Career opportunities
Ease of labour migration	Objective properties	Employee qualifications, work experience, age, etc.
	Subjective properties	Ease of adaptation in a new workplace
Awareness of labour market conditions	Job vacancy information	Availability, accuracy and cost of information on vacancy

Regional labour mobility in Uzbekistan is observed mainly in the direction of a village – city. As of January 1, 2017, there were 168 districts, 119 cities, 1081 urban settlements, 1468 rural citizens' assemblies, 10 998 rural settlements and 8207 makhallas in Uzbekistan. Currently, 50.6% of the country's population lives in cities, and 49.4% in rural areas. In the years of independence, the urban population grew by almost 10% (Fig. 9.2).

Territorial mobility of labour resources in the country is on average 7-8%. Approximately 80% of mobility of regional labour resources is accounted for Tashkent. Such a movement of labour resources is inherent in the model of pendulum mobility. This mobility is largely due to the high level of wages in the capital.

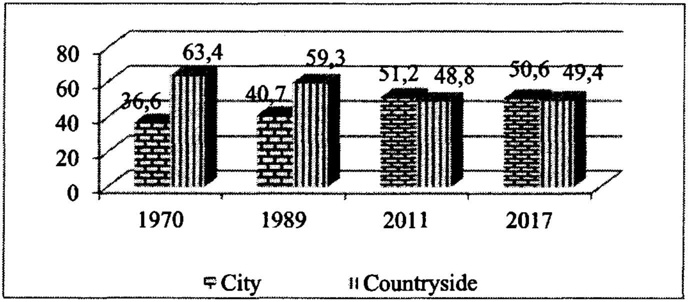

Fig. 9.2. Change in the share of urban and rural population of Uzbekistan (in % of the total population)[1]

[1]Data of the State Statistics Committee of the Republic of Uzbekistan. – URL: http: // www.stat.uz.

Mobility of labour between regions also affects the demographic situation in the country. In Uzbekistan, this is explained by:

– high proportion of young people under the age of 18 in the total population;

– annual increase in the number of citizens entering the working age;

– preservation of uneven distribution of the population in the regions.

Different age groups of the population differ in the level of labour activity. The highest level of activity and employment, as well as labour mobility is observed at the age of 25-49.

The average age of the country's population is currently 25.5, including 24.1 in rural areas and 27.9 in cities. According to these indicators, Uzbekistan is among the young countries according to the international demographic classification. Our country has a large labour potential (Fig. 9.3, 9.4).

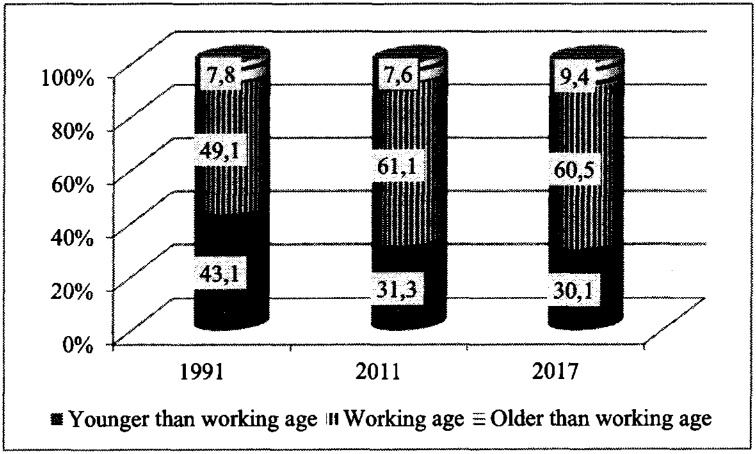

Fig. 9.3. Age structure of the resident population in Uzbekistan
(in % at the beginning of 2018)

However, only the territorial division of labour resources does not close the gap between the level of socio-economic development of regions. Modern concept of interterritorial regulation of labour migration is based primarily on increasing the competitiveness of the regions both in the labour market and in commodity and capital markets.

Analysis of the share of regions in the gross domestic product of the country suggests that only the potential of labour resources is not a decisive factor in formation of national wealth. For example, Tashkent and Syrdarya regions have practically the same population density. However, the gross regional product in Tashkent region is about 2.5 times more than in Syrdarya region.

Therefore, the determining ratio of the number of unemployed per vacancy shows the level of acuteness of demand and supply of labour power in the labour market. It is 5.6 in Andijan, 6.0 in Bukhara, 6.3 in Kashkadarya, 5.7 in Navoi, 6.6 in Surkhandarya and 6.3 in Khorezm regions[1].

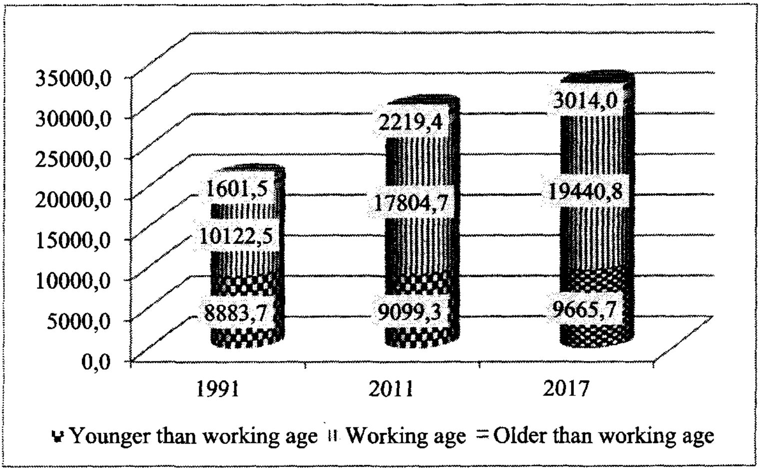

Fig. 9.4. Age structure of the resident population in Uzbekistan (in million people at the beginning of 2018)

Measures are being developed and implemented for accelerating the socio-economic development of the regions in order to regulate the internal mobility of labour resources. In particular, in recent years, Surkhandarya, Namangan, Navoi regions are implementing a comprehensive program of socio-economic development and deepening market reforms.

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[1] Economics of Uzbekistan. Information and analytical bulletin. January – December 2015. – Tashkent, 2016.

Currently, additional measures are being taken for accelerating the economic development of the regions, including for the efficient use of natural, economic and human potential. In particular, programs have been developed for creation of new jobs based on the rational use of objects of unfinished construction, unused production and land plots, expanding the share of the local budget and export opportunities in the region, organizing a modern market infrastructure at places, developing services, tourism, practical assistance to entrepreneurs.

At the same time, attention to the development of dehkan farms, land use, feed production, animal husbandry, poultry farming, fishery, beekeeping and other activities in agriculture is increasing.

9.3. Sectoral mobility of labour

Sectoral mobility is the ability to change the job profile and willingness, in this regard, to change the organization, which implies the assimilation by the employee of not only new requirements regarding his job or position, but also the development of new job specifics, as well as the ability for interorganizational movements.

Sectoral mobility is associated with the presence of high professional, intraorganizational and interorganizational mobility, with the presence of a universal education, with a broad outlook, creativity, dedication, and diverse work experience.

It is necessary to raise all forms of mobility (professional, intraorganizational, interorganizational), employee's awareness of current professions and needs of enterprises, improve the education system, as well as the system of motivation and stimulation of labour, develop the creative potential and commitment of the employee for increasing sectoral mobility.

An example of sectoral mobility is the transition from the oil industry to the railway industry.

Within the framework of this stage of strategy, the conjuncture of the region's labour market, trends in changing of its segments, unemployment rates, territorial and sectoral features of employment are analyzed, as well as an assessment of internal and external factors of employment of the population, etc. is implemented. In addition, it is necessary to carry out not only quantitative, but also qualitative analysis of the needs of various sectors of the regional economy in personnel. The results of this analysis can also be used in forecasting the need for personnel in the medium or long term perspective for determining the priorities of the employment strategy.

Over the years of independence, deep structural changes have taken place in the national economy of Uzbekistan. With an increase in the share of industry and the service sector in the country's GDP, the share of agriculture was decreasing (Fig. 9.5).

The volume of industrial production in the country increased 4.6 times by 2017 compared with 1990. Modernization, technical re-equipment and introduction of new technologies have increased the labour productivity in industry by 1.4 times compared with 2010.

Full state support of private entrepreneurship contributed to an increase in the share of small business in industrial production. If in 2005 the share of small business entities in industrial production amounted to 10.0%, then in 2017 this indicator increased 4.5 times to 45.5%. This has a positive effect on creation of additional jobs and sectoral mobility of labour power.

Despite the fact that the share of agriculture in the country's GDP as compared to 1995 almost halved, the volume of agricultural production increased by 2.7 times as compared with 2000 and reached 47 486.1 billion soums in 2016. Today, 65.1% of gross agricultural products are owned by dehkan farms (private households), 32.9% are owned by farmers, and only 2.0% by agricultural organizations.

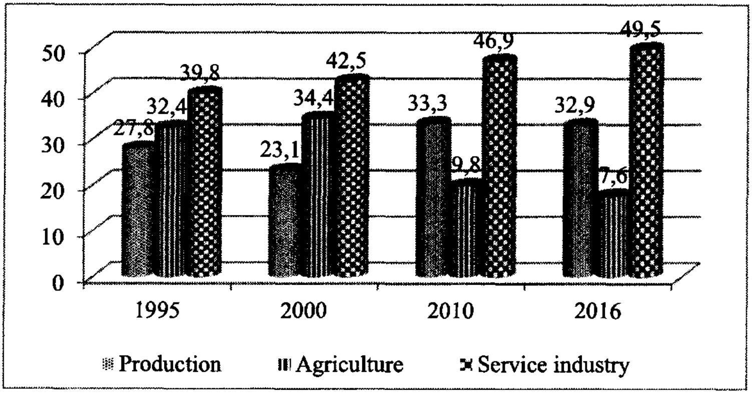


Fig. 9.5. Share of sectors of the national economy in GDP of Uzbekistan (in % of total GDP)

Along with deepening structural reforms and diversification of the national economy, the role of the service sector in employment and incomes of the population is increasing. Only in 2010-2016, the volume of the service market increased by 2.7 times (Fig. 9.6). The growth rates of information and communication services are increasing especially rapidly. The volume of services in this sector grew 4.6 times in 2010-2016.

Labour mobility is not so high despite qualitative changes in the national economy. In particular, in 2013-2016, changes in the sectors of economy amounted to: in agriculture and forestry – 0.35%, trade and public catering – 0.2%, housing and utilities – 0.1%. Along with this, despite the decrease in the share of agriculture in GDP, a significant part of employment falls on this industry.

Labour mobility can be observed not only in industries, but also in individual enterprises. Such mobility is closely related to changes in workplaces at enterprises. For example, if the number of employees in one company increases by 100, and in another decreases by 100 people, the total number of employees will not change. But this does not mean that a given number of labour resources has been transferred from one enterprise to another. By superficial consideration, this stable state hides the active mobility of labour.

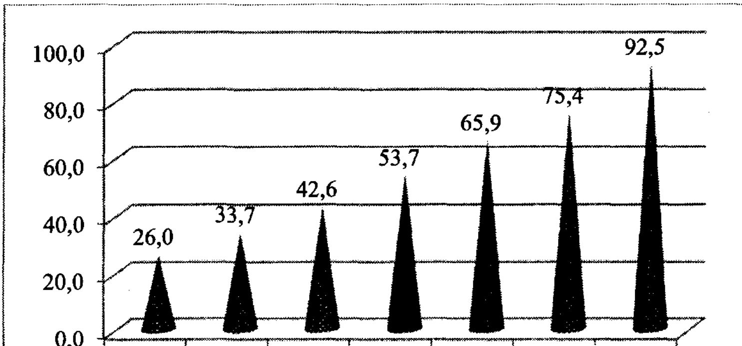


Fig. 9.6. Dynamics of growth of the market of services to the population in Uzbekistan (in trillion soums)[1]

[1] Data of the State Statistics Committee of the Republic of Uzbekistan. – URL: http: // www.stat.uz.

The change in workplaces is determined through the indicators of mobility of labour: the rate of creation of new jobs (*c*), the loss rate of jobs (*d*), the increase rate of employment (*n*), employment rate (h*)*, the rate of dismissal (*s*), the total turnover ratio of jobs (*g*), the turnover ratio of surplus jobs (*r*).

Difference between the coefficients *c* and *d* reflects an increase in the level of employment (*n*) or net employment change:

$$n = c - d.$$

In economics, the total turnover ratio of jobs (g) is calculated as follows:

$$g = c + d.$$

This reflects the number of all jobs involved in labour mobility.

The total turnover ratio of workplaces, the absolute level of employment change, allow to determine the turnover rate of surplus jobs:

$$r = g - n.$$

This indicator reflects the increase in the minimum required level for practical employment growth observed in the economy.

The result of mobility of labour power follows from the above:

$$\mathrm{c - d = n = h - p.}$$

The sum of the employment rate and the coefficient of dismissal from work is equal to the coefficient 1 of the total turnover of the labour power:

$$l = h + s.$$

As a result, it is possible to determine the coefficient of wasted loss of labour resources (*i*):

$$i = l - g.$$

Another important part of mobility of labour flows of an enterprise is employees who have been employed for less than one year in the workplace. Through this indicator, taking away the coefficient of the newly created workplaces (*c*) it is possible to determine the share of old jobs in which replacements of employed workers took place during the period under consideration:

$$\mathrm{o = y - c.}$$

For regulating labour mobility at enterprises it is necessary:

– to increase attention to the selection, placement and evaluation of professional competitiveness of employees;

– to cooperate with education institutions;

– to improve qualification of personnel;

– to plan development of personnel;

– to take necessary measures for motivating employees.

Currently, there are many foreign firms in Uzbekistan, as well as joint ventures with foreign capital. Foreign specialists work in these firms and companies. According to the current normative and legal acts, foreign citizens arriving in the Republic of Uzbekistan for the purpose of employment must receive a permit for carrying out labour activity. Permits may be issued to Uzbek legal entities, enterprises with foreign investments operating in Uzbekistan, as well as to individual Uzbek and foreign individuals residing in the territory of the Republic of Uzbekistan, using hired labour in a private enterprise.

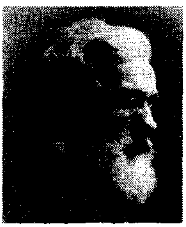
9.4. Labour migration: the occurrence and its consequences

Migration is resettlement of people from one region (state, country) to another, in some cases by large groups and over long distances.

In a narrow sense, migration of the population is a change in a permanent place of residence.

In a broad sense, migration of the population is resettlement of people between different localities, one or several administrative-territorial units, regardless of duration, regularity and goals.

The founder of the theory of migration is the British geographer E.G. Ravenstein. He formulated the "law of migration" at the end of the 19th century.



Ernst Georg Ravenstein (1834–1913) was famous British scientist of German origin, geographer and statistician.
Works:
The laws of migration, 1876.

Based on the study of a large amount of empirical material, E.G. Ravenstein identified the following laws of migration:

1. Redistribution of the population is ongoing between the territories.
2. Territories differ mainly by economic characteristics.
3. Most migrants move at short distances.
4. Migration occurs in steps.
5. Each migration flow corresponds to a reverse flow.
6. Migrants for long distances migrate to large centers of industry and trade.
7. Residents of cities are less mobile than residents of rural areas.
8. Women are more mobile than men in movement within the country, men are more mobile than women in moving long distances.
9. Big cities grow mainly due to migration.
10. The volume of migration increases with development of industry, trade and transport.
11. The main reasons for migration are economic.

Crucial in these laws is that the cause of migration is economic. This idea had a tremendous impact on further research in modeling migration process.

The central place in the new classical theory of labour mobility within the framework of laws of migration is taken by the difference in various regions (both within the country and between states) of wages. This concept is based on the neoclassical economic theory based on factors of production, including the movement of labour resources due to inequality in economic development between different countries. This tool for regulating inequality is called *"territorial and economic balance"*.

In fact, the neoclassical theory of migration explained mainly internal migration, primarily migration from the countryside to the cities. American economists M. Todaro and J. Harris, studying unemployment in developing countries, created a logical model that clarifies the causes of rural migration. They argued that because of the difference in wages between the city and the rural area, workers continue to strive to work in the city, despite the possibility of using labour resources in the village.

In the concept, which was called the *microeconomic model of individual choice*, it is noted that certain reasonable persons, analyzing the benefits and losses from a change of place of work, can take a decision. At the same time, the international mobility of labour is considered as a form of investment in human capital.

In low-income countries, the difference between wages paid by qualified and unqualified personnel may amount to 20.0%. In countries with a high level of income, this difference can be 10-30 times. At the same time, the mobility of labour brings a higher benefit to workers with a high level of experience. As they, as a rule, possess higher level of knowledge and skills, than workers on their new workplace.

In the concept of a territorial-economic balance, it is stated that as a result of economic growth and increasing labour migration in exporting countries, the previously existing wage differentials will decrease. As a result, exporting countries can become donors of labour resources. A similar situation occurred, for example, in Europe – in Italy, Portugal, Greece; in Asia – in Singapore, Malaysia, South Korea; in South America – in Brazil and Chile[1].

Provisions of this theory have a number of conceptual conclusions:

– international mobility of labour is due to differences between wages in the countries;

– mobility of labour will cease after eliminating the differences between wages throughout the world;

– in cases of availability of highly qualified and low-qualified labour resources, their flows may have different directions depending on various driving forces that influence this process;

– the labour market is the main mechanism of labour mobility. International flows of labour resources arise thanks to the labour market. Other types of markets are less affected by labour mobility;

– the government of the country manages labour flows, mainly influencing the labour market.

Neither the neoclassical theory nor the conceptual-historical approach explains why some people of one country join the labour migration flow, while others do not. The founder of the *theory of attracting and repelling* factors E. Lee tried to find an answer to this question. In his opinion, the adoption of the decision on migration of each person will depend on the following factors:

– conditions of the current place of residence;

– conditions of the intended destination;

– intermediate factors (distance, transport network development, migration policy, etc.)[2].

In the theory of attracting and repelling factors, the first ones have a stronger influence on people with a high level of education. They will also have a certain social position on their territory, but may receive an offer to take a more advantageous job in another region. Therefore, active mobility of labour is peculiar to highly qualified specialists. In most cases, they become more mobile, in order to

[1] Castles S., Miller M.J. The Age of Migration. – Houndmills; Basingstoke; Hampshire; London : MacMillan Press Ltd., 2003. – P. 22.

[2] Lee E.S. A Theory of Migration // Demography. – 1966. –N 3. – P. 47–57.

rise higher both in position and income level. And for low-qualified personnel, the repelling factors are more important.

The theory of the dual labour market, developed by M. Piore in 1979, is based on the fact that international migration arises from the own needs of the labour market of a modern industrial society. According to this theory, international migration is caused by constant demand for labour of immigrants, which is inherent in the economic structure of developed countries. According to the scientist, immigration in countries of origin is caused by factors such as low wages and high unemployment, and in receiving countries, on the contrary, there is a need for foreign labour power.

Bifurcation of the labour market characterizes industrialized countries, due to inherent duality between labour and capital. Capital is a fixed factor of production, whereas labour is a factor of production variable: when demand falls, dismissal of workers occurs. This dualism creates differences between workers, it leads to a bifurcation of labour power.

Qualified workers in the capital-intensive sector work with the best equipment and tools. The employer has to invest in these workers by providing specialized training and education. Their work is complex and requires considerable knowledge and experience. Due to high costs on workers in the primary sector, they are trying to keep them from leaving, in this regard, their labour becomes a factor similar to capital.

Implications of the dual labour market theory differ from similar effects of macroeconomic models:

– international labour migration is based on the demand of employers of developed countries;

– since the demand for migrants is formed at the expense of structural needs of the economy, the level of wages is not a condition for labour migration, therefore employers can hire workers without raising wages;

– low wages in host countries will not increase in response to the decline in the number of immigrants;

– low wages in host countries may decrease as a result of an increase in the number of immigrants;

– possibilities of influence of the government on international migration are low; only serious changes can affect the demand for immigrant labour[1].

Works of I. Wallerstein are of considerable interest, who considers migration in the context of *world-systems paradigm*. In his opinion, there is a division of the world (or a particular country) into the periphery and center. As a result of expansion of capitalism, the structures of the periphery change, peasants become

[1] Piore M. Birds of passage. Migrant labour and industrial societies. – New York: Cambridge University Press, 1979.

landless, cities develop. Globalization accelerates the migration process, and emerging global cities create demand for immigrant labour.

According to I. Wallerstein, with the penetration of economic relations to the periphery, non-capitalist society forms a mobile population, which disposes to migrate abroad. Driven by the desire for higher profits and wealth, the owners and managers of capitalist firms entered the territory of poor countries, which are located on the periphery of the world economy, in search of land, raw materials, labour power and new consumer markets. In the past, colonial regimes, which were appointed by poor regions in favor of the economic interests of colonial societies, contributed to market penetration. Today, this has become possible thanks to the neo-colonial government and transnational corporations perpetuating the power of national elites who either participate in the global economy, like the capitalists themselves, or offer their country's resources in international companies on acceptable terms.

The world economy is governed by a relatively small number of urban centers, in which, as a rule, they concentrate banking, finance, management, professional services and high-tech manufacturing. In the United States, global cities include New York, Chicago, Los Angeles and Miami. In Europe these are London, Paris, Frankfurt and Milan, in the Pacific region – Tokyo, Osaka, Sydney. Within these global cities, great wealth and highly educated labour resources are concentrated, creating a steady demand for services of unqualified workers (cleaners, waiters, hotel workers, household servants).

At the same time, the movement of heavy industrial production abroad, the growth of high-tech production in electronics, computers and telecommunications, as well as expansion of services such as healthcare and education create a split structure of the labour market with high demand for workers both in upper and lower level, but with a relatively weak demand in the middle.

The world-system theory states that international migration follows the political and economic organization of an expanding global market, from which follow six different hypotheses:

1. International migration is a natural consequence of the capitalist market formation in developing countries; penetration of the global economy into peripheral regions is a catalyst for international movement.

2. International labour flow follows the international flow of goods and capital, but in the opposite direction. Capital investments cause changes that form a mobile population in peripheral countries, while at the same time strong material and cultural ties are established with the main countries, which leads to transnational movements.

3. International migration is especially characteristic of the former metropolitan countries of the colonial powers and their colonies, because cultural, lin-

guistic, administrative, investment, transport and communication links were established a long time ago and allowed to develop free competition, which led to formation of specific transnational markets and cultural systems.

4. International migration is associated with globalization of a market economy, the channels of government regulation of immigration level are in regulating the overseas investment activities of corporations and controlling international flows of capital and goods.

5. Political and military intervention by the governments of capitalist countries to protect investments abroad and support foreign governments in an effort to expanding the global market when they fail, refugees migrate to specific key countries constituting another form of international migration.

6. International migration ultimately has little in common with wages or differences in employment between countries, this follows from the dynamics of creating the market and the structure of the global economy.

A fundamentally different answer to the question of how and why the decision on migration at the micro level is made, was proposed by the theory of O. Stark, called the *"new economic theory of migration"*. Developed in 1991, it places in the center of the migration structure not a single migrant, but a family or household. Decisions on migration are made collectively by family members and are part of an overall family strategy.

Money transfers of migrants, who remained out of sight of the neoclassical theory and structural-historical concepts, brought to the fore by the new economic theory of migration.

It also forwarded the following judgments and hypotheses:

– in the research and analysis of labour mobility we should not approach from the point of view of interests of only one person, but of whole families and households;

– the process of labour mobility does not stop even in cases where the level of wages in the donor and recipient countries is leveled. Incentives for labour mobility may exist even if there are no other markets or imperfections within the donor regions;

– the state can influence the level of mobility of the labour power not only by regulating the labour markets, but also the capital and insurance markets (state insurance programs, unemployment insurance, etc.)[1].

In this sense, the fact that one or several family members can go to another territory not only to increase the expected personal income, but also to reduce the risk associated with the ownership. At the same time, reducing this risk for an employee participating in labour mobility will provide a stronger wage incentive.

[1] O. Stark. The Migration of Labour. – Cambridge: Oxford Basil Blackwell. 1991.

9.5. International Labour Migration

International labour migration (labour migration) means the movement of the population across state borders in order to enter into labour relations with employers in another country. Labour migrants do not include businessmen – "shuttles", as well as persons traveling abroad on official business trips (in the absence of a contract with foreign employers).

At the earliest stages of international labour migration, two main flows were formed. The first is movement of people from Africa to North and South America, as well as to European countries. Later, people who were not satisfied with the economic situation in their countries, rushed to Spain, Portugal, the United Kingdom, France, the Netherlands, Denmark, the United States and Brazil, as labour migrants. For more than three and a half centuries, from 20 to 30 million people were forcibly brought from Africa to the West. Moreover, the majority of labour migrants voluntarily occupied new jobs. As a result, international labour migration has become an economic one and has become a source of income for labour migrants.

The main reason for international migration is economic: the difference in wages, which can be obtained for the same job in different countries of the world. The lack of specialists of a particular profession in a particular region raises wages for this profession and, accordingly, stimulates the influx of migrants. For external labour migrations, an increasing proportion of highly qualified specialists in its composition is characteristic. The beginning of this form of migration was laid in the 1930s, when the United States got the opportunity to select refugee scientists from Nazi Germany. At the present stage, the main directions of migration of highly qualified specialists are from the countries of Eastern Europe to the United States, Canada, and a number of countries of Western Europe.

With the increase in the scale of international labour migration, after the Second World War, its priorities also changed. At this time, the term "guest workers" ("invited workers") appeared. This was due to the fact that labour migrants left their families at home and left for other countries for a short time in order to earn money.

It should be noted that in the second half of the 20th century, the influx of international labour migration from developing countries was directed to industrialized countries, then at the beginning of the third millennium there was an outflow of specialists from developed countries to developing countries.

International Labour Organization identifies the following main types of labour migration:

– *working on the basis of a contract*. At the same time, the state that accepts labour migrants clearly establishes the terms of their stay in this country. This type is mainly associated with the employment of labour for seasonal work (for example, agriculture, construction);

– *migration of qualified personnel*. Inviting highly qualified specialists or workers to work in a preferential order (due to high wages and other benefits);

– *illegal migration* is illegal labour activity in other countries.

Currently, the main factor stimulating international labour migration has become the economic factor. Qualitative changes occur in international labour migration because of this. The number of qualified specialists began to predominate among the labour migrants. This is manifested in the following:

– there was a change in the widespread "*brain drain*" – the diversification of international labour mobility. Despite the fact that the United States is still the center for attracting the most qualified specialists, and specialists from industrialized countries are temporarily sent to work in developing countries;

– mobility of highly qualified specialists occurs not only in the direction of capital, but the news is that they go along with or behind capital;

– integration of higher education is strengthening. In developed countries, cases of non-return to the homeland of persons who have received higher education became frequent;

– at present, the influence of the state on the process of international labour migration is increasing. The state, together with the adoption of measures on regulating the global labour market (visa restrictions, patenting of labour activity, quotas for foreign labour resources, etc.), took on hiring highly qualified specialists.

Strengthening the process of international mobility of intellectual labour resources is due to:

– a decline in the birth rate in developed countries and an increase in the demand of the modern sector of the national economy for highly qualified specialists due to technological changes in production;

– a desire on the part of recipient countries to save money and time for their preparation by importing relevant specialists;

– the lack of highly qualified national specialists due to technological changes in production in order to ensure the competitiveness of the national economy;

– expansion of activities of transnational companies;

– expansion of networks of ensuring the mobility of labour resources;

– strengthening intellectual partnership (between research institutes, medical centers of universities, etc.);

– unification of educational and qualification standards and mutual recognition of diplomas;

– virtualization of the transfer of knowledge and experience (the emergence of the possibility of implementation of labour mobility without a change of residence as a result of development of information technologies).

In general, international labour migration has positive and negative consequences for both donor countries (labour exporters) and recipient countries (labour importers) (Table 9.2).

Uzbekistan has canceled the procedure for issuing permits to implement labour activity abroad from 2019.

This is provided for by the resolution of the President "On additional measures for further improving the system of external labour migration of the Republic of Uzbekistan".

Instead of obtaining a compulsory permit, a procedure of voluntary registration of citizens going abroad for implementing labour activity under private labour contracts will be introduced in the manner established by the Ministry of Employment and Labour Relations.

In 2018, over 50 thousand labour migrants were sent to Russia from Uzbekistan. A 20 percent discount was also introduced on rail and air tickets for labour migrants in the country in 2018.

Uzbekistan today is gradually expanding the geography of international cooperation in labour migration.

Table 9.2

Positive and negative consequences of international labour migration for donor and recipient countries

Countries	**Positive consequences of international labour migration**	**Negative consequences of international labour migration**
1	2	3
Donor countries	The export of labour resources improves the situation on the labour market in the country, which means that the amount of labour resources decreases as a result of labour migration	The countries exporting labour resources are separated from their labour resources and part of the economically active population.
	The export of labour resources allows citizens of donor countries to acquire new modern skills in recipient countries, to improve and acquire new skills, to learn new technologies.	The resources of donor countries for training and retraining immigrant workers are used by recipient countries for economic development.
	The export of labour resources is an additional source of foreign exchange for	The export of highly qualified and competitive labour resources can lead to a shortage of

	donor countries and raising the living standards of immigrant workers.	highly qualified personnel in the most important production areas of donor countries.
	Donor countries levy tax into the state budget from firms engaged in the labour activities of their citizens abroad	
Recipient countries	The inflow of labour resources from abroad ensures a high level of mobilization and contributes to accelerated development of certain sectors of the economy	The resource intensity of the country's economy to foreign labour resource increases
	Migration of labour resources allows to save the expenses of recipient countries on training personnel.	Domestic labour resources in the local labour market is getting poorer, and the supply of foreign labour power increasing
	Labour migrants develop the domestic market, as they increase the demand for goods and services	
	Labour resources import increase the competitiveness of retailers and firms in the market, since cheap work saves production costs as a result of reducing labour costs	
	There is an opportunity to use temporarily free funds of immigrants for financing the recipient economies	

Previously organized recruitment was carried out with countries such as South Korea, Russia, Japan and Poland. Now cooperation begins with the UAE. As well as, the agency for foreign labour migration is conducting relevant activity on establishment of cooperation in labour migration with Germany, Kazakhstan and the Sultanate of Oman.

According to official data, at present, 2.6 million people (about 20% of the economically active population) are living outside Uzbekistan with a population of over 33 million people.

Uzbekistan as part of the global socio-economic system is one of the active participants in international migration process and the international labour market, primarily due to the Constitution of the Republic of Uzbekistan, Article 28 of which states that "Any citizen of the Republic of Uzbekistan shall have the right to freedom of movement on the territory of the Republic, as well as a free entry to and exit from it, except in the events specified by law".

Migration situation has changed significantly during the period of independence in Uzbekistan. First of all, this is reflected in stabilization and subsequent reduction in the number of persons leaving the country for permanent residence. Maintaining social stability, which is one of the most important priorities of the country's development, contributes to normalization of the migration process. Decisive steps taken by the state in recent years for liberalizing external employment enable labour migrants from Uzbekistan to become full-fledged participants in the international labour market.

9.6. STATE REGULATION OF LABOUR MIGRATION

The goal of the state regulation of labour migration is to achieve the desired scale of immigration for the host country, as well as selection of necessary workers. Due to the contradictory effects of migration, state regulation of this process can be directed both at attracting immigrants and stimulating migration, and at reducing migration flows.

State intervention in the international movement of labour power began much earlier than its participation in the regulation of foreign trade flows. Already at the end of the 18th century, laws prohibiting industrial workers from emigrating abroad were adopted in England. In the 19th century, many European countries have adopted laws restricting the entry of undesirable persons. At the same time, countries began to conclude bilateral conventions regulating migration, some of which are still active today.

In labour power importing countries, the state regulatory system includes legislation on legal, political and professional status of migrants, national immigration services, as well as intergovernmental agreements.

The state bodies of almost all countries in which a foreign labour power is used pursue a deliberate policy on the choice, distribution and use of foreign labour power.

Immigrant workers are predominantly engaged in unqualified labour. In employment they are subject to the principle: hired last, fired first. There is wage discrimination, although this is legally prohibited in the vast majority of countries. Foreign workers are discriminated when renting housing, when trying to get an education, when applying for medical assistance, etc.

Recipient countries (host) apply the following types of restrictions on the entry of labour immigrants:

1) professional qualification (presence of diploma, certain work experience in the specialty). The minimum requirement for education is the completion of a full course of secondary school or professional and technical school, as evidenced by an appropriate diploma. In most cases, the diploma must be confirmed or assessed in the host country. Work experience in specialty should be from 2 to 5 years (Cyprus – 2 years, Australia – 3 years, the United States – 5 years);

2) age limit (usually 20-40 years);

3) state of health (ban on the entry of drug addicts, with AIDS and mental illness);

4) social and political restrictions (immigration of persons previously convicted of criminal offenses, as well as those who are in the ranks of reactionary parties is not allowed);

5) quotas (legislative establishment of the maximum share of foreign labour power within the framework of the economy as a whole, certain industries and enterprises, while countries set quotas on the entry of foreigners from certain countries – Asia, Africa).

The process of globalization occurring in the world economy contribute to enhancing interconnection between countries, liberalizing separately functioning markets and deepening their integration into the common global labour market.

Today, almost 200 countries of the world are taking part in international labour migration, which is an integral part of the global labour market. According to the International Organization for Migration, the total number of international labour migrants worldwide has reached 258 million people. Of their remittances in the amount of 601 billion US dollars, 429 billion were directed to developing countries.

Resolutions of the President of the Republic of Uzbekistan of April 12, 2017 No. RP 2885 "On measures for further expansion of bilateral strategic cooperation and partnership between the Republic of Uzbekistan and the Russian Federation", No. RP 3001 of May 24, 2017 "On measures for further improving the state employment policy and drastically improving the efficiency of activities of labour agencies", the Intergovernmental Agreement of December 21, 2017 "On admission and involvement on an organizational basis of citizens of the Republic of Uzbekistan for implementation of temporary labour activity in the territory of the Russian Federation" serves to the implementation of tasks related to the sphere of migration.

Another flow of external labour migration from Uzbekistan was sent to the Republic of Korea. In 1995, in accordance with the agreement signed between

Uzbekistan and the Republic of Korea, under the program "Industrial internship", citizens of Uzbekistan began to be sent to the Republic of Korea[1].

Over the past ten years, on the basis of the "Industrial Internship Program", conditions have been created for employment of 19 thousand Uzbekistan people in the Republic of Korea. The South Korean government, when recruiting labour power from abroad, is based on the Employment Permit System, EPS. During these years, 48 thousand Uzbekistan migrants were sent to Korea in accordance with the principles of this system.

Main tasks of the Agency for External Labour Migration under the Ministry of Employment and Labour Relations of the Republic of Uzbekistan in this area are:

– *firstly*, participation in development and implementation of international cooperation projects in labour migration; cooperation with competent authorities of foreign states on the issues of allocation of quotas and permits for employment of citizens of the Republic of Uzbekistan abroad and foreign citizens in the Republic of Uzbekistan;

– *secondly*, provision of assistance to citizens of the Republic of Uzbekistan in realization of their right to labour activity abroad by organizing employment, conducting preliminary adaptation measures with candidates for employment abroad;

– *thirdly*, coordination of labour activities of citizens of the Republic of Uzbekistan abroad and foreign citizens in the Republic of Uzbekistan;

– *fourthly*, coordination of activities of regional households of the Bureau for Employment of Citizens Abroad, as well as Centers for pre-departure adaptation and training citizens traveling abroad;

– *fifthly*, issuance (extension) of permits to citizens of the Republic of Uzbekistan to engage in labour activities abroad in accordance with decisions of interdepartmental commission on selection of candidates for sending citizens of the Republic of Uzbekistan to work in foreign countries;

– *sixthly*, issuance (extension) of permits to legal entities to attract foreign labour power, as well as confirmation of labour activities to foreign citizens in the territory of the Republic of Uzbekistan, taking into account the analysis of external labour migration process, long-term and medium-term forecasts of development of labour migration of the population and in accordance with proposals of the Ministry of Labour of the Republic of Karakalpakstan, the main departments for labour and social protection of the population of regional khokimiyats and Tashkent.

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[1] Migration and Remittances Factbook 2016. World Bank Group. – P. 14.

An important role in regulation of international labour migration in the world is played by the International Organization for Migration, founded in 1951. Its main tasks are:

– management of the migration process in the interests of all parties involved in the migration process;

– close cooperation with the governments of countries, protection of the interests of people who perceive migration as the only right decision for themselves;

– prevention and combating emergency situations and human trafficking (international concept is "traffic").

International Organization for Migration implements the following programs with its international partners for governments and civil societies of many countries:

– humanitarian migration programs (supporting persons, who became victims of conflicts and their consequences, as well as those who want to connect with families);

– technical cooperation programs (governmental, intergovernmental and non-governmental organizations provide advisory services on the issues of migration and changing the international situation, developing comprehensive measures necessary for solving migration problems that regulate migration services by training personnel involved in strengthening country capacities, as well as their technical support);

– conducting research, analyzing data (holding regional and international workshops and conferences for solving migration problems, studying the causes and consequences of the migration process, the state and needs of migrants, developing and conducting information campaigns).

Issues of regulating international labour migration are also in the center of attention of the International Labour Organization and the United Nations High Commissioner for Refugees. As well as separate structures for regulating labour migration in the regional organizations of the world are created. For example, a system of continuous monitoring of migration operates at the Organisation for Economic Co-operation and Development.

International Organization for Migration, IOM, is an international intergovernmental organization based in Geneva (Switzerland). Currently, its members are 166 countries of the world, 8 more countries have the status of observers. It has more than 400 subdivisions at places, about 100 missions are operating.

In 1998, member states of the Commonwealth of Independent States (CIS) signed an agreement on cooperation in combating illegal migration. The agreement establishes the following main directions in the fight against illegal migration:

– harmonization of the national legislation of participating states on the responsibility of persons promoting illegal migrants and illegal migration;

– combating illegal departure and entry of foreigners into the territory of states;

– formation of a database of illegal immigrants;

– creation of a mechanism for expulsion of illegal migrants, etc.

Each state takes legislative, administrative and economic measures for regulating the labour migration. In particular, recipient countries (accepting labour migrants) mainly use the following measures:

1. Requirements for professional qualifications (availability of diploma of education, work experience in a particular profession, specialty). For example, a labour migrant in the United States shall have a work experience of 5 years, in Australia – 3 years, in Cyprus – 2 years.

2. Age requirement (usually labour migrants at the age of 20-40 are employed).

3. Health of labour migrants (drug addicts, patients with dangerous infections, mentally ill patients are not allowed into the country).

4. Social and political restrictions (persons previously convicted of committing a crime, members of reactionary parties, terrorist organizations are not allowed into the country).

5. Quoting (the legally established number of labour migrants in all sectors of the national economy, individual industries and enterprises, quotas established for labour migrants from certain regions). For example, 140 thousand labour migrants are allowed to work in the United States per year.

6. Payment of duty by labour migrants and for employment. In particular, a duty in the amount of 100 Irish pounds is paid for work in Ireland for 4 months. A similar order is established in Slovakia.

7. Getting a visa through investments in the economy of the recipient country. In the United States, immigration visas are issued annually to 10 thousand people who have invested more than 500 thousand dollars in the economy of the country.

8. Payment by businessmen of taxes for the use of labour of labour migrants.

9. Restrictions on the period of stay of labour migrants in the recipient country. A permit for labour activity in Norway is issued to labour migrants for 1 year. After this period, concluding a new employment contract is required.

10. Prohibition of labour migrants to be engaged in labour activity in certain professions and specialties. In Turkey, labour migrants are not allowed to work as

physicians, lawyers, healers, pilots, drivers, real estate agents, as well as some other types of professions.

11. Use of scoring system for selection of labour migrants. This order is established in Australia and Canada for foreigners.

12. Resolution of the President of the Republic of Uzbekistan "On additional measures for further improving the system of external labour migration of the Republic of Uzbekistan" was adopted on July 5, 2018, in order to further improve the system of external labour migration, radically expand its organizational forms, ensure protection of labour and social rights of citizens traveling outside the country to carry out labour activities, expand the involvement of labour migrants from abroad in business and labour activity.

In accordance with this resolution, legal entities are granted the right, on the basis of a license issued by the Ministry of Employment and Labour Relations, to carry out activities on confirming the professional qualifications of citizens of the country traveling abroad for conducting labour activity, including professional skills and the level knowledge of foreign languages.

At the same time, the procedure for issuing permits for conducting labour activities abroad was canceled, taking into account the voluntary registration procedure established by the Ministry of Employment and Labour Relations of the Republic of Uzbekistan. At the same time, the Fund for Support and Protection of the Rights and Interests of Citizens, carrying out labour activities abroad, has been established at the Ministry.

In 2017, an intergovernmental agreement was signed between the Republic of Uzbekistan and the Russian Federation on admission and involvement on an organizational basis of citizens of the Republic of Uzbekistan for carrying out temporary labour activity in the territory of the Russian Federation. The Agreement provides for practical actions of all interested organizations and persons in compliance with international legal provisions.

The Agency for External Labour Migration plans to open its representative offices in Moscow, Saint Petersburg, Belgorod, Krasnodar, Kaliningrad, Vladivostok, Khabarovsk, Krasnoyarsk, Novosibirsk, Yekaterinburg, Tyumen, Volgograd, Kazan.

Since 1995, the Agency has been closely cooperating with the Republic of Korea in the field of labour migration. During the same period, 46.8 thousand citizens of Uzbekistan were sent to this country on a contractual basis. The Agency for External Labour Migration is expanding cooperation with Japan, Poland, Turkey, Yemen and other countries on labour migration issues.

The Law "On labour migration" is also being developed in order to strengthen the legal base of labour migration in Uzbekistan. It will include the principles of state regulation of internal and external labour migration, legal and social protection of citizens of Uzbekistan working in foreign countries, the procedure for recruiting foreign citizens in Uzbekistan and their labour activity.

CHAPTER X.

PRECARIOUS EMPLOYMENT: FORMS, CONSEQUENCES AND PROBLEMS

10.1. Innovative Development of the Economy and New Forms of Labour Relations

Innovation economics (knowledge economy, intellectual economy) is a type of economy based on the stream of innovations, constant technological improvement, production and export of high-tech products with very high added value and the technologies themselves.

New forms of labour relations are a complex of changes in economic, socio-psychological, legal relationship that are realized in the process of labour activity between subjects at various levels, spread on the labour market, associated with initiative, innovation, creative activity, constant search for optimization of labour relations and are aimed at solving specific economic problems, ensuring a high level and quality of life of a person, a collective and society as a whole. The specificity of the new forms of labour relations determines special approaches to their use in the practice of organizations. Relevance of innovations is currently primarily associated with acceleration of scientific and technological progress, the change in the value paradigm of modern society, which are mediated largely by its transition from the stage of industrial to the stage of post-industrial society. Within the framework of this transition, transformation of requirements also occurs for the employee. The change in requirements is due to transformation of labour value that it acquires in a post-industrial society.

One of the types of new forms of labour relations is precarious employment of the population. Accordingly, the concept of "employment" plays a big role in labour relations system. New categories began to emerge in the scientific and social circulation that characterize employment, manifested in those forms (or possessing such features) that for one reason or another are undesirable and may adversely affect the social and material status of workers: "precarious (unstable) employment", "precariat", "underemployment" (partial unemployment), "informal employment", "freelance", "irregular employment", etc. All these categories somehow have common features, but often are mixed, resulting in methodological uncertainty.

Sourcing technology has become the basis for using the new forms of labour relations in the organization. One of the key areas of improvement of organizations of recent times is optimization, rejection of non-core functions that do not bring value to the consumer and the organization, but which are necessary for the existence and development of the organization. Taking into account the methodology used, the peculiarities of the new forms of labour relations, which determine the specifics of effective organization and motivation of their participants, we have identified the following types of new forms of labour relations used (fig. 10.1).

Production based on high technology demonstrates an interest in a high degree of knowledge in the final product. These changes, in turn, require the widespread introduction of constantly and rapidly changing knowledge, as well as the effective use of technological innovation. As a result, new, non-standard labour relations are being formed along with traditional labour relations.

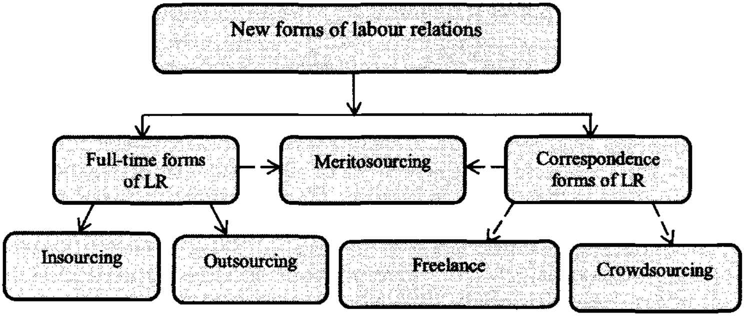

Fig. 10.1. New forms of labour relations

Traditional labour relations have their advantages and disadvantages (table 10.1). In this system, it was inherent to the employee to work less and have more income (symbolic wages for symbolic work), no risk, a guarantee of career growth, etc.

The following traditional forms of employment are inherent in traditional labour relations:

Economic properties. Alienation of the employee from the means of production and entrepreneurial risks. The employee receives an established remuneration for labour, regardless of the results of the enterprise's activities. At the same time, he participates in social division of labour and receives his share of social product.

Legal properties. Employee's labour relations with the employer is based on a formal employment contract (this requirement reflects the formal aspect of labour relations). The employment contract establishes the subordination of the employee to the employer (the employee must comply with the requirements of the employer). The labour agreement is of an indefinite nature and can be terminated both at the initiative of the employee and the employer. The employee is guaranteed full employment.

Table 10.1

Properties of subjects of labour relations

Subjects of labour relations	Advantages	Disadvantages
1	2	3
Employee	Income guarantee at a certain rate (regardless of whether the employer makes a profit or not)	Lack of freedom of choice, personal and professional interests (due to lack of production facilities), the need for spending most of the time at work
	Employment protection (legal protection against dismissal by employer)	The need for complying with the rules of the employer, regardless of the results of work
	Provision of certain social benefits depending on the employer's opportunities	Lack of opportunity to manage own income, since it does not depend on the employee, but on his employer
	Career prospects	
Employer	Presence of personnel ready to execute the tasks specified in the job description	Economically inefficient tasks for the enterprise, social security costs
	Possibility of selecting necessary personnel, raising their qualifications, training and development	Management capability limitations in employee productivity
	Loyalty of personnel to the enterprise, possibility of increasing productivity without increasing wage costs	Lack of flexible labour relations and limited opportunities for dismissing employees
State	Low unemployment is a guarantee of employment for the majority of the able-bodied population.	The risk of occurrence of a dispute between subjects of employment (employees and employers)
	Guaranteed cash receipts in the budget, the state pension fund, for medical and social security	The risk of non-compliance by the employer of the contractual obligations

Organizational properties. The employee is involved not for execution of a specific task, but of job duties. The employee executes his duties in the workplace provided by the employer, as well as duties in accordance with the work schedule and internal regulations established by the employer. Duration of the working day is regulated. Qualification of an employee, his intellectual, physical and psychological potential correspond to the parameters of the production process.

Social properties. Social protection of the employee is envisaged. If traditional labour relations are institutionalized, that is, based on legal relations, then new types of labour employment are not yet legally defined and are not recognized as practical. That is why they are called non-standard labour relations.

In the 80s of the 20th century, this type of employment became known as the term "precariat" (from the Latin *precarium* – unstable, unsecured). Initially this term was used for the poorest category of society. British scientist G. Standing used this term to designate one of the types of social and labour relations, creating a social pyramid of labour activity (fig. 10.2).

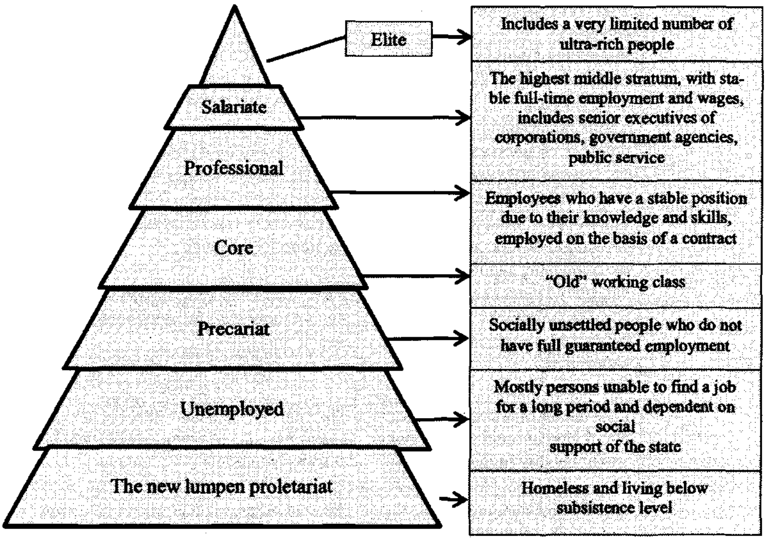

Fig. 10.2. The pyramid of labour activity by G. Standing[1]

[1] See: Standing G., The Precariat: The New Dangerous Class. – M.: Ad Marginem Press, 2014. – P. 24.

According to Russian scientists Z.T. Golenkova and Yu.V. Goliusova, the category of precariat includes:

– part-time workers who do not have formal legal relations with the employer;

– employees who were excluded from the staffing table by the employer and transferred to other enterprises as a temporary employee;

– workers engaged in labour activities in accordance with the initiative of the employer on the basis of part-time work (week, month);

– forced unemployed;

– persons who have lost their hopes for employment[1].

Labour activity of the precariat leads to the emergence of unstable labour relations, and this in turn leads to the emergence of unusual forms of employment in the labour market (fig. 10.3).

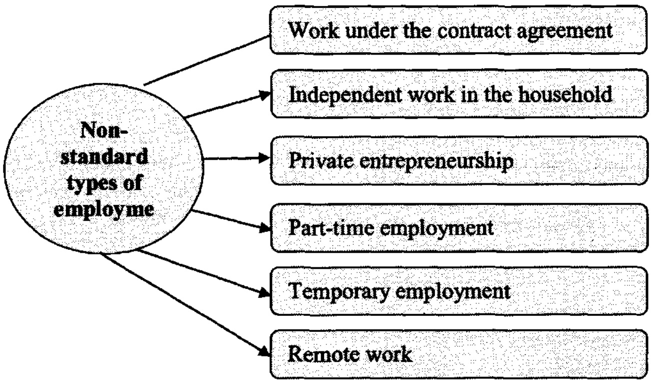

Fig. 10.3. Non-standard types of employment

Precarious work is the result of emergence of new forms of relations in the sphere of labour and entrepreneurship. These relationships affect the quantity and quality of employment (figure 10.4).

[1] See: Golenkova Z.T., Goliusova Yu.V. New social groups in modern systems of stratification of a global society // Sociological science and social practice. – 2013. – No. 3. – P. 8.

International Labour Organization recognizes that work can be organized on different contractual bases. The task consists not in standardization of all forms of labour, but to make any labour worthy.

The spread of non-standard forms of employment is influenced by changes in the sphere of labour. This is a transition from work in agriculture and industrial production to work in the service sector, strengthening globalization, development of technologies, as well as subsequent changes in the organizational strategies of enterprises.

Development of the service sector. In recent decades, work in the service sector has expanded in many countries, which already accounts for almost half of all employed in the world.

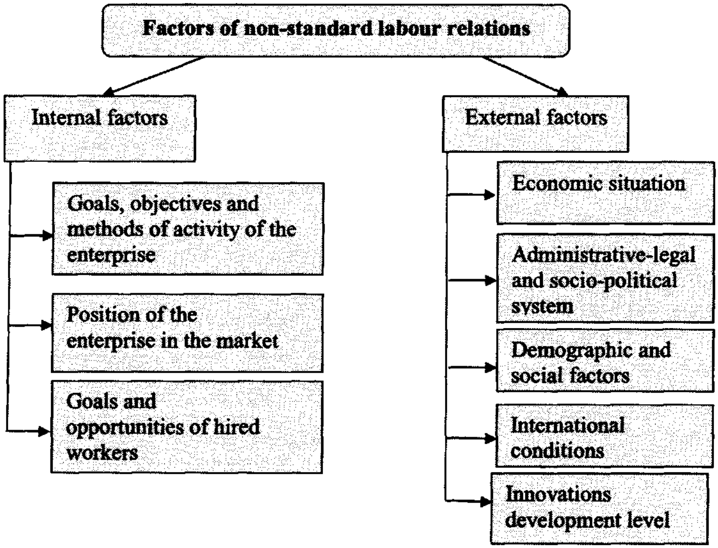

Fig. 10.4. Factors of non-standard labour relations

A number of areas of the service sector has its own characteristics that contribute to the spread of non-standard forms of employment. This primarily relates to the tourism sector, which is characterized by high fragmentation, the spread of international hotel chains and franchises, outsourcing, seasonal fluctuations in demand and the need for providing services in hours that differ from the standard work schedule.

In addition, the expansion of retail trade with a consequent increase in the opening hours of retail outlets also stimulated the use of part-time employment. Many firms hire part-time workers during additional shifts.

Expansion of the service sector has a particular impact on employment of women, whose share in this industry is large, especially in retail trade.

The impact of globalization. At the same time, globalization continues to make a strong impact on industrial production. This is due to increased competition in international markets and the growing need for reducing production costs. Fragmentation of production along with outsourcing has led to an increase in trade in intermediate products and the spread of global supply chains.

The development of technologies. Expansion of services and global networks is directly related to the development of technologies. New information technologies, improving the quality and reducing the cost of infrastructure, as well as improving logistics and transport, allow companies to compare prices in real time, organize operations and manage production, which is located in different countries. New technologies also led to creation of new forms of labour, for example, work on demand through mobile applications.

Changing organizational strategies. While globalization has an impact on the activities of firms, the choice of the form of contract with the employee remains ultimately for the organization itself. Enterprises have begun to use outsourcing and other non-standard forms of employment more often in order to be able to concentrate standard staff and direct management efforts to the competitive advantages of the firm.

Although many companies used outsourcing only to provide secondary functions, a number of organizations began to use non-standard forms of employment for main activities. For example, hotel chains began transfer administrator services and housekeeping services to outsourcing to a third-party management organization, and telecommunications service providers donate a large number of self-employed workers to the subcontractor who are engaged in equipment installation and repair services[1].

Non-standard labour relations, especially in unstable forms of employment, are widespread. In particular, part-time work is becoming increasingly popular

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[1] Non-standard forms of employment. Problem analysis and solution prospects in different countries. Survey version / International Labour Office. – Geneva: ILO, 2017. – P. 4.

in the global market. According to statistics, in developed countries, the proportion of part-time workers is growing steadily (fig. 10.5).

According to experts of the International Labour Organization (ILO), unemployment is associated with the lack of decent working conditions and the low quality of jobs, low productivity, discrimination against certain categories of the able-bodied population (women, youth, people with disabilities) and instability in the labour market. In developing countries, three out of four workers work in non-standard form of employment.

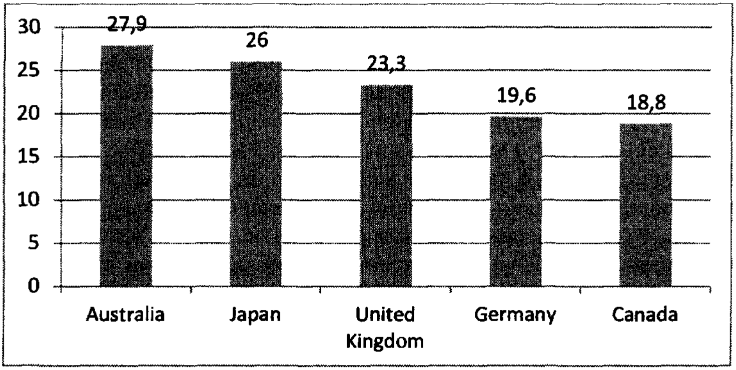

Fig. 10.5. Proportion of part-time workers in the developed countries of the world
(in % of the total number of employees)

When analyzing the content and forms of non-standard employment, it is necessary to take into account its organizational, technical and socio-economic properties:

1. *Organizational and technical properties of employment* are associated with technical and technological foundations and changes in the organization of production and services. Therefore, employment is currently acquiring an increasingly non-standard form and requires adaptation to rapidly changing technical, technological and informational innovations.

As a result, revolutionary changes are undergoing in modern employment:

– the structure of employment changes with the reduction of jobs in traditional sectors of the economy, new jobs are created in innovative areas: science, culture, education, management, etc., as well as the need for healthcare and social services increases;

– the periods between the beginning and the end of labour and business relations are shortened, the labour regimes are becoming more and more flexible;

– jobs, especially in remote employment, move outside the territories controlled by the employer;

– the scope of hired labour is reduced, self-employment and other forms of labour organization expand. Thus, the organizational and technical properties of the new employment model are objectively, thoroughly changing in terms of duration, conditions and organization.

2. *The socio-economic properties of modern employment* make a significant number of employees, self-employed and entrepreneurs to move the new organizational and technical model of labour and business relations. This increases competition in the labour markets and makes new demands on entrepreneurial potential.

Non-standard form of employment of the population can be considered not only as a means of solving economic, but also social problems. It provides an increase in the level of involvement of labour resources in labour activity, creates conditions for partial and distant employment, contributes to a quick response to the labour market conjuncture and optimizes employer costs associated with the use of labour resources.

At the same time, the forced submission of a significant part of workers to new organizational and technical requirements for employment is expressed for them in destruction of standard perpetual employment contracts with a full working week. This results in an increase of risks of depriving workers of a number of labour and social guarantees provided under standard employment, as well as an increase in the risks of depriving workers of a variety of labour and social guarantees provided under standard employment. Individualization of labour, characteristic for flexible forms of employment, leads to a weakening of the role of trade unions, which were the main protectors of workers in the standard system of labour activity and collectively-contractual relations, which are some of the important characteristics of standard employment.

The need for effective management by workers in the use of new forms of labour relations in the organization is intensified, because the participants of economic relations (including labour) must meet new market requirements, which are characterized by constant variability, orientation on satisfaction of consumer needs, search ways to optimize activities, etc. Subjects of labour relations have begun to realize the need for using alternative, new, not conforming to the traditional paradigm labour relations, practices.

There are four main groups of non-standard forms of employment: 1) temporary employment; 2) employment on the part-time basis; 3) temporary employment and multilateral labour relations; 4) disguised labour relations and dependent self-employment. This classification corresponds to the Conclusions of the Meeting of Experts on Non-Standard Forms of Employment, adopted in February 2015. There are various subgroups of employment forms within these four groups, the specificity of which depends on each particular country.

To describe precarious employment, it is not enough to use the category "non-standard employment", since the latter is broader, including the so-called precariat of non-formal and non-standard employees, and also covers a wide circle of people, who are not at risk, associated with loss of job, deterioration and loss of social status, reduction of income.

There are four main groups of non-standard forms of employment according to the definition of the International Labour Organization:

1) temporary employment;
2) part-time employment;
3) temporary employment and multilateral labour relations;
4) disguised labour relations and dependent independent employment.

This classification is consistent with Conclusions of the Meeting of Experts on Non-Standard Forms of Employment, adopted in February 2015[1].

Temporary employment, in which employees are engaged for a certain period of time, includes work on a fixed-term employment contract, a contract for the execution of a project or certain jobs, as well as seasonal and occasional work, including day-to-day work. In most countries, work on a fixed-term labour contract is regulated by special norms on the maximum duration of an employment contract, the possibilities of extending the term of the contract and the criteria for the application of such contracts.

Accidental labour means employing for a very short time or on an intermittent basis. This is often a job for a few hours, days, or weeks for payment established within the framework of a payment agreement for a day or a working period. Occasional labour is characteristic of hired labour in informal economic sector of developing countries, but recently it has begun to appear in industrialized countries, especially in workplaces related to on-demand work, hygonomics (free earnings economy) and work on the Internet platforms.

[1] Conclusions of the Meeting of Experts on Non-Standard Forms of Employment. – URL: https://www.ilo.org/gb/GBSessions/GB323/pol/WCMS_ 354090/lang--en/index.htm

With part-time employment, the duration of working hours is shorter than full standard employment. In many countries, special legislatively fixed threshold values have been established that allow to distinguish between part-time and full-time employment. In the context of comparative statistical analysis, part-time work is often defined as work of no more than 30-35 hours per week. A number of forms of employment imply a very short duration of working time or the absence of a stable work schedule. In this case, the employer is not obliged to guarantee a certain number of hours of employment. These forms of employment are associated with work on call or with other contractual relations and in a number of countries are called contracts with a zero-hour of working time.

Labour relations in which employees are not employed directly in the company to which they provide labour services are multilateral labour relations, for example, when an employee gets a job and is paid through agencies on provision of temporary staff, but does work for a company, service user. In most countries, employment contracts are concluded between the agency and the employee who performs the work, and the relationship between the agency and the user of services is regulated by a civil law contract. It is believed that employees hired by temporary service agencies do not enter into an employment relationship with a service company. However, some jurisdictions impose legal obligations on firms that are users of services in relation to employees who work through an agency. This often concerns occupational safety and health guarantees.

According to the ILO, *disguised labour relations* create "the appearance of something that does not exist in reality, and nullify or minimize the protection provided by law"[1]. Such labour relations is misleading about a real employer by hiring employees through a third party, or concluding a civil contract with an employee or a cooperation agreement instead of an employment agreement, while at the same time carrying out employee management and providing direct instructions on how to perform activities that does not correspond to the independent status of the worker.

In addition, some labour relations may be ambiguous when relevant rights and obligations of the parties are not clearly defined, or there are gaps and inconsistencies in the legislation, including interpretation of legal provisions or standards of application.

Another area where legal clarity is lacking is dependent self-employment, in which employees provide company services under a civil law contract, but their income depends on one or several clients, or they receive direct instructions on how the work should be executed. These workers are usually not subject to the provisions of labour legislation or the operation of the social security system.

[1] Non-standard forms of employment. Problem analysis and solution prospects in different countries. Survey version / International Labour Office. – P. 3.

However, some countries have adopted special provisions for extending protection standards on dependent self-employed workers[1].

Precarious employment can cover any sphere of labour. Summarizing what has been said, let us try to indicate the place of precarious employment and the category of precariat adjacent to it in the total number of people employed in the economy. For this, the list of requirements was specified for a standard employment model proposed by Canadian researchers, which were classified into three groups.

1. Institutional Requirements:

– work in the formal sector;

– full volume of social benefits and guarantees, the observance of all labour rights regulated by legislation;

– representatice office of the worker by independent trade unions and participation in the management of the organization (not applicable to Russian conditions).

2. Requirements of employment conditions:

– presence of one employer (the amount of wages such that the employee is not interested in finding additional employment);

– indefinite nature of the employment contract;

– full time employment;

– year-round employment;

– use of employer's means of production.

3. Market requirements:

– decent wages (sufficient, regular, stable labour income);

– minimal risk of job loss (stable employment, predictability of the operating mode).

Depending on compliance with the above conditions, employment is divided into three groups according to the degree of resistance:

1) standard;

2) non-standard;

3) unstable, which includes precariat.

Standard employment is characterized by compliance with the entire list of the above requirements. For non-standard employment, compliance with the first, second and last requirements is characteristic.

The precariat (unstable employment), which occupies a special place in the classification of employment types, is characterized by the fact that the first requirement, work in the formal sector, is never observed (these are informally

[1] Non-standard forms of employment. Problem analysis and solution prospects in different countries. Survey version / International Labour Office. – P. 2-3.

employed workers). From this it follows that they cannot count on the observance of the remaining two institutional requirements. By analogy with the standard employment, the precariat can be called the "core" of precarious employment. This category of workers is characterized by the greatest risk in the labour market, the employer does not have any formal obligations towards them. Deformalization of production can give an employer an additional incentive for opportunistic behavior, that is, failure to comply with other requirements described, which means that precariat falls into the situation of greatest risk.

It appears that precariously employed population cannot be categorized as a kind of monolithic socio-economic stratum of society, because unemployed student freelancer, and low-skilled healthcare personnel, and unskilled migrant workers may suffer from precarious employment. Therefore, an assessment of the extent of precarious employment, in our opinion, should be aimed at identifying and analyzing adverse events characteristic of it.

ILO experts highlight practices in employment that contain signs of precarious employment. These include: 1) conclusion of a temporary employment contract initiated by the employer; 2) hiring labour power through personnel agencies or other forms of mediation; 3) transfer of some functions to other companies (outsourcing or outstaffing); 4) labour contracts with undersigned persons; 5) excessive probation; 6) existence of hidden agreements on professional training; 7) work on the phone or daily work; 8) illegal or forced part-time employment; 9) home-based work.

Among these practices, there are several forms of employment: outsourcing and outstaffing, home-based work (including on the phone); daily work (in our opinion, this group may include precarious employment, employment without a permanent job). These forms of employment in themselves imply less stability, since guarantees of permanent work and social support are much lower in them than in other forms of employment. Consequently, their prevalence in the territory will indicate precarious employment.

10.2.1. Loan labour

Loan labour is work that an employee performs on the order of his employer, but in the interests of an individual or legal person who is not his boss. As a rule, loan officers are registered in the staffing agency. (fig. 10.6).

The category of "loan labour" is still rarely used both in everyday life and in practical legal activity. Meanwhile, loan labour has become fairly widespread in world practice, so that the Russian practice can be put aside from it.

International Labour Organization adopted the Convention C181 On Private Employment Agencies on June 19, 1997 which laid the international legal framework for the regulation of loan labour.

Loan labour is understood as the work performed by an employee of a certain qualification, hired and provided by an agency of loan labour at the disposal of the third party, called the user, to perform work in favor of the latter.

The legislation of the Republic of Uzbekistan establishes provisions concerning loan labour, i.e., loan labour, and not outsourcing, outstaffing, or staff leasing, which alleviates the problem of demarcating loan labour and outstaffing.

As a rule, an urgent labour contract is drawn up with the employee, which significantly reduces job security. At the same time, wages are relatively low compared with salaries for permanent work.

The employee is registered at the employment agency, and in fact he is sent by the agency to carry out labour activities in favor of the third parties (employers, employees). This type of employment is also called a job at an employment agency. The employer may need to hire workers in the following cases:

- lack of personnel;
- need for implementing a new project;
- occurrence of tension in production;
- seasonal features (especially in agriculture), etc.

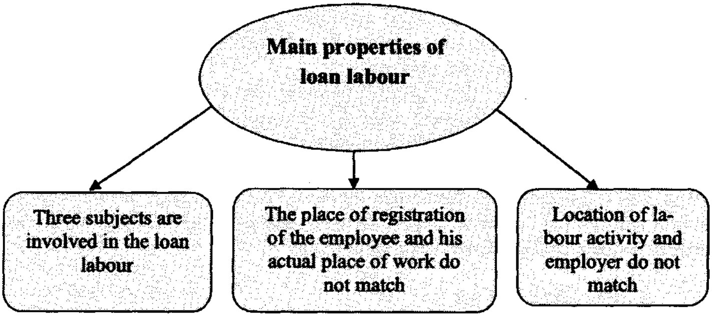

Fig. 10.6. Main properties of loan labour

In this form of employment, contractual labour relations are established only between the borrower and landlord. But the employee carries out labour activity on the basis of the authority of the agency, instructions of the labour user, who partially assumed the functions of the employer.

At the same time, the employment agency undertakes to:

- conclude an employment contract with an employee;

– open a personal bank account;
– calculate wages;
– draw up employee documents.

This form of employment is attractive for an employee who can freely determine the duration of work, as the employer is interested in saving money for permanent employees.

In the United States and Western Europe, more than 90% of companies periodically use services of temporary staff, and in the staff of personnel agencies that offer this service, consist of up to 1.5% of the total number of employed people. The scale of the global market can be judged on the basis of the fact that each year the number of companies that specialize in leasing workers increases by 1.5 times.

At the same time, employment is not guaranteed in loan labour, since the employer may at any time terminate the contract. In such contracts there are completely unknown conditions and procedures for the implementation of labour activity, the establishment of wages, who will be responsible for the observance of labour protection rules.

In general, the working conditions of the hired worker are unsatisfactory compared to those officially employed at the enterprise. The most important thing is that a collective agreement does not apply to a loan officer.

For regulating rental labour activity, it is necessary to:

– inform persons, wishing to work in this way, about the nature of such forms of work and their possible adverse consequences;

– introduce restrictions on attraction of hired employees to work that can be performed by personnel working under collective agreements;

– provide necessary social guarantees for employees who were dismissed due to reduction in the number of personnel (it is necessary that employers know how much it will cost them);

– establish high compensations for dismissed workers in order to avoid the use of rental labour activity.

Employers should also be informed about the negative consequences of using loan labour: possible loss of qualified personnel, reducing quality of product, litigation with dismissed workers, etc.

Therefore, trade unions together with employers need to pay close attention to the use of labour resources at the enterprise. If loan workers are used more than defined in collective agreements, this should be familiar to the employer about the need for creating new permanent jobs. Here there is a terminological diversity, reflecting in principle similar relationship. In this regard, it is possible to consider the category of "loan labour" as general, and to consider out-sourcing and outstaffing as its forms or varieties.

10.2.2. Remote work (Telework, Telecommuting)

Remote work (telework) is a labour activity executed by an employee located at a distance from the employer using information and communication technologies. The main feature of this form of employment is establishment of "remote economic relations" between the employee and the employer.

Mainly, there are representatives of IT professions, advertising and marketing specialists, designers, translators, and creative workers working remotely.

Among the most popular professions in the remote are: programmers, copywriters, journalists, translators, designers, illustrators, SMM specialists, layout designers, software testers, call center operators.

This form of employment is of interest to the employer, since it does not require excessive costs of creating a workplace for the worker, as well as removes the responsibility for labour protection and duration of working time.

Some researchers believe that remote work means freelancing. However, there are features and differences between the concepts of freelancing and remote work (table 10.2)

The opportunity to get a job in a large company for a good salary is especially important for residents of regions where there is little work for IT professionals or representatives of creative professions.

Table 10.2

Differences of remote work from freelancing

Indicator	Remote work	Freelance
Specialist status	Full time employee who has the right to work remotely (from home)	Private specialist, who is not registered in the staff.
Presence of an employment contract	With the official employment (there is an agreement on remote work)	Lack of employment contract
Nature of work	Work for one company, the employer. Part-time job is possible with the consent of the employer	Execution of projects of various clients. Constant search for new orders

The advantages of remote work include:

– more flexible schedule than when working in the office;

– no need to communicate with office colleagues, distract from work;

– saving time since there is no need to drive to work and spend a few hours in the subway or traffic jams;

– saving money on office clothes and all the attributes of a strict dress code;

– opportunity to easily earn money and take projects from other clients or companies, because the employer does not control that you work only on his projects. In case of remote work, the result is important for the employer, not the process. However, we recommend coordinating the availability of part-time work with the main employer and not working for direct competitors.

Disadvantages of remote work are:

– unwillingness of companies to hire remote workers;

– lack of communication with colleagues (someone suffers from it or endures easily);

– acquisition of a computer and, as a rule, programs necessary for the work at the own expense (however there may be exceptions);

– the need for self-organization of the working day, since nobody controls this situation constantly.

Often, work on a free schedule becomes work with a nonstandardized working day, including work on holidays or weekends. However, this problem will be solved if to immediately competently organize the working process.

Remote work is the future, and partly the present. When transferring employees to remote operation, employers save on the office and can hire specialists from other cities and even countries, and this way of making money is more convenient and comfortable for employees. Indeed, in large cities, a worker often needs two to three hours to get to the office. At remote work, such a problem is absent, because one can work from home and do not need to go anywhere.

Types of telework can become labour activity, performed at a distance from the employer, self-employment, remote business activity, etc.

This type of employment is also beneficial for the employee, since he saves his time and transportation costs, he can choose the right time for carrying out labour activity.

Information and communication technologies enable an employer to clearly define working hours, as well as duration of executing the assignment. As a result, he will be able to hire employees, taking into account the time required to implement production tasks. In addition, new technologies also help eliminate traditional costs associated with short-term employment of personnel. With the help of these technologies, it is possible to calculate the amount of labour resources needed, attract necessary number of personnel and determine his salary.

Attracting remote workers allows enterprises and organizations to save a significant amount of money due to the absence of the need for paying high rents for the use of production and service premises. Employees also like to work in their own home, because this way they significantly reduce the cost of food.

Studies in developed countries have shown that today remote workers are mainly students of higher education institutions and people at the age of 26-42. In addition, 45.0% of workers engaged in labour activities at a distance are employed by small and medium-sized business, and in large companies this figure amounts to 29.0%.

Distant relationship between the employer and the employee is becoming part of decentralization process in time and place, which contributes to formation of flexible vertical labour market.

Thus, the remote worker:

- is a staff member of the organization performing work outside the location of the employer;
- has a remote work agreement concluded with the employer;
- is subject to the norms of labour legislation (on vacation, etc.).

According to forecasts, by 2020 about 20% of Uzbekistan citizens will work remotely, for example, from home. Already, a number of companies are transferring employees from offices to this mode of work.

10.2.3. Outstaffing

Outstaffing is withdrawal of personnel for the staff of the company. When outstaffing, the personnel concludes employment contracts not with a firm that is the actual employer, but with an intermediary organization or an outstaffer.

Outstaffing means employee's withdrawal from the staff of the customer company and his registration in the staff of the provider's company, while he continues to work in the same place and fulfill his previous duties, but the company-provider already carries out the duties of the employer in relation to him.

When outstaffing, employees do not enter into legal relations with the customer company, but undertake to carry out all operations specified in the contract.

The employing organization (outstaffer) provides certain specialists to the customer company. The customer company determines the volume, timing and place of executing the work. Thus, employees officially assigned to an outstaffer organization work for the benefit of another company and fully comply with its requirements.

The main task of outstaffing is to address issues related to the optimization of personnel provision. Using this form of employment allows employers to:

- optimize personnel management at enterprises that do not have special services for working with personnel;
- optimize the structure of personnel services of the enterprise;
- improve the activity of accounting;
- reduce the number of full-time employees;
- exempt from the responsibility of employers in issues of social and labour relations with employees;
- ensure conformity of the number of employees to the actual workload;
- save money on recruitment of employees, payment of wages, various social benefits, preparation of reports;
- not to be forced to dismiss own employees.

Outstaffing allows employers to regulate the number of employees while maintaining their numbers. This allows companies to focus all their attention on business development. The use of outstaffing is especially effective for optimizing the number of administrative personnel and performing design work.

Currently, outstaffing services in developed countries are carried out by specialized companies. In the United States there are more than 2 million companies offering such services. 7 million people are employed every year with the help of outstaffing in the European Union. In these countries, the turnover of the outstaffing market is more than 80 billion dollars a year. About 10 million people work in this mode a year.

The essence of the outstaffing mechanism is withdrawal of personnel for the staff of the customer company and registering for HRC with the subsequent provision of this personnel to the client on his behalf for a fee. Under such a scheme, the employee, as before, continues to perform his duties at the same place of work, but he is already involved in labour relations with HRC, which is now an employer in relation to him.

Companies use the service of outstaffing to simplify and streamline the business process, building more flexible relations with employees.

As a rule, employees are not against such a method of work and do not see a fundamental difference between whether to join the company or work outside it. In this and in another case, the rights and guarantees of employees are fully protected and strictly adhered to.

This service provides companies with a number of business optimization opportunities:

- effectively allocate the budget;
- disclaim legal liability before the employees;

– avoid costs associated with hiring staff for work, maintenance in the accounting department and the personnel department, calculation and payment of wages;

– eliminate or reduce the cost of dismissal of employees;

– experience new employees without registration of labour relations with them;

– to minimize the volume of personnel office work and the associated costs;

– to minimize the amount of administrative work associated with travel arrangements and provision of social benefits;

– optimize the costs for training and compensation packages.

Recently, the implementation of the concept of outstaffing in the Republic of Uzbekistan has been hampered due to the peculiarities of legal regulation in the sphere of labour. In particular, conclusion of a labour contract implies the emergence of mutual rights and obligations between the employee and the provider company, but not the employee and the customer company. Registration of outstaffing by means of a civil contract deprives an employee of the guarantees and compensations provided for by the Labour Code of the Republic of Uzbekistan, the right to annual paid leave, etc. Thus, full development of outstaffing in Uzbekistan is possible only if the normative framework is improved, regulating relations in the sphere of labour.

One of the factors of underdevelopment of the outstaffing market in Uzbekistan is in the initial development stage. Currently, only a few companies in the country specialize in recruiting personnel or consulting services.

Outstaffing and outsourcing are fairly new methods of managing individual business process that take place within the firm. They were created to:

– improve personnel management in the enterprise;

– minimize all possible risks (injuries, discrepancies identified by tax and personnel audits, etc.);

– increase the efficiency of the company's involved assets;

– focus the attention of the management staff on solving problems related to the main activity;

– reduce the costs of production and auxiliary process;

– to attract more qualified staff for performing certain tasks, etc.

The best evidence that this in full or partial measure helps enterprises optimize their activities is the fact that the share of outsourcing and outstaffing is growing every year. At the same time, there are significant differences between the process, so in different situations they will be more or less effective.

Thus, they analyze this opportunity as an additional service for transferring an employee to another organization, but none of them consider outstaffing as their main entrepreneurial activity. So far, only two companies (Stafar Human Resource Management and Stafar Employment) carry out their activities in this area.

Outstaffing has great prospects in Uzbekistan, because due to the country's transition to innovative development of economics, business entities will have to transfer certain services to unstable workers in order to maintain a competitive advantage in the markets. This should sharply increase the demand for outstaffing in the labour market.

10.2.4. Outsourcing

Another precarious form of employment is *outsourcing*, the transfer of individual production functions (accounting, legal services, marketing research, information processing and etc.) to a specialized partner in a certain area on a contractual basis, which are not related to the main activities of the company. In this respect, there are some similarities and differences between outstaffing and outsourcing (table 10.3).

Table 10.3

Similarities and differences between outsourcing and outstaffing

Indicator	Outstaffing features	Outsourcing features
1	2	3
Place of work of employees	Company that hired an employee	Contractor's or own workplace
Terms of employment contract	Short-term (up to 9 months)	Long-term, with the possibility of extension
Benefits for the employer	Reducing costs on job preservation. Opportunity to transfer production tasks to narrow specialists. Regular reporting from executors. Reducing the amount of administrative activities.	Reducing the cost on job preservation. Salary savings (payment for each individual employee). Opportunity to increase the number of employees for solving a specific production task.

Disadvantages for the employer	Lack of regular control over the activity being implemented	Lack of full responsibility for the final result of the temporary employee

Advantages of outsourcing include:

1) reducing the cost for executing tasks. Attracting specialized firms frees an entrepreneur from having to pay wages, calculate and pay insurance premiums to the budget, as well as other fees. In addition, the firm assumes the costs of maintaining the office and the risk of losses caused by the delay in the execution of the assigned actions;

2) the minimum time and professionalism of executors. Specialized companies guarantee the execution of tasks assigned in the shortest time. The fact is that among the employees of such organizations, as a rule, there are only experienced and highly qualified specialists. Due to the daily work in a given direction, employees gain tremendous experience and can solve even the most complex issues;

3) directing resources to addressing key issues;

4) the ability to pay main attention of a businessman on solving the tasks of commercial activity, which is, supposedly, the main advantage of outsourcing by transferring indirect functions to specialists, the entrepreneur can be completely immersed in the production sphere or be engaged in implementation of other projects.

However, this type of service has a significant number of deficiencies. Most of them manifest themselves due to the lack of clear legal regulation and multiple legislative gaps.

Disadvantages of outsourcing are:

1) accountability for violations. Despite the inclusion in the contract text of the provisions on full responsibility of the executor, to recover damages is not always obtained. The problem lies in impossibility of determining the range of obligations with constant cooperation. The executor must provide the service clearly described in terms of the agreement. The functions transferred usually include a wide range of the most diverse actions. Some issues are solved at once in several ways, choosing from which is offered exactly to the client. In addition, damages are paid after they are caused. Real recovery of funds is possible only through the court, which is very difficult and costly;

2) mandatory control. Most followers of outsourcing state a full release of a businessman from the solution of issues transferred to the specialists. In fact, implementation of strict control over the execution of tasks is necessary. Unfortunately, not only reliable companies, but also unscrupulous companies are engaged in providing services in the considered sector of the market. In practice,

there are often cases when, receiving payment under the contract, the executor does not perform any actions or creates the appearance of work;

3) high cost. Despite loud statements about the economy, the cost of services of a specialized company will always be higher than the real costs for resolving issues. A competent approach will reduce costs to a minimum, therefore, cooperation with firms is recommended to businessmen who do not have the skills to organize the business process.

The need for attracting employees from outside for performing certain production functions of the company is due to a number of factors, which include:

- technological complexity of the production process;
- high costs for modernizing production to execute certain functions;
- increasing competition in the markets;
- increasing requirements for the quality of products;
- globalization process in the economy.

Outsourcing as a form of employment is associated with development of information systems and technologies. This is evidenced by the fact that outsourcing appeared in the 1960s. At the same time, the largest specialized corporations have created specialized information processing centers. They began to provide their services to small and medium-sized enterprises that did not have necessary technical potential. In the mid 1970s, there were about 400 specialized computer centers in Germany.

Since the 1980s, outsourcing in information technologies has become the main direction of activities of large corporations. An example of this is the IBM Global Services outsourcing service. Currently, this service employs 110 thousand people in 160 countries of the world.

Recently, the following advantages of outsourcing are distinguished:

- hire qualified employee by a company for a short time;
- cost savings associated with hiring new employees for short-term work;
- possibility of replacing employees who do not satisfy the company;
- reduction of costs associated with dismissal;
- possibility of admitting a suitable worker to a permanent job, etc.

In the United States, all types of tax payment are carried out by outsourcing companies. In the United Kingdom, the system of information technologies of the tax system has been outsourced to Dell. In Europe, more than 80% of small and medium-sized enterprises transferred accounting services to outsourcing companies, over 90% in the United States, 94% in Israel.

Currently, in Uzbekistan outsourcing is mainly used by foreign companies. Due to this, they can not be distracted from the main activity of the company. Foreign companies use outsourcing in such areas as accounting, personnel policy, national legislation, information and communication technologies.

Outsourcing, or outsourcing services, is the transfer of production or business functions to independent external contractors specializing in this field. Service contract for an outsourcing company, unlike single character service, has a longer period (at least one year). Outsourcing companies are engaged in maintenance and support of uninterrupted operation of individual infrastructure systems.

The main advantage of outsourcing in its profitability and increasing the efficiency of an enterprise is the ability to free up working places and concentrate human resources in order to develop new areas requiring high attention.

In Uzbekistan, outsourcing services are usually provided in accounting, security, housekeeping, translation services, IT outsourcing, advertising and transportation services, as well as software development and its further maintenance.

Outsourcing is especially widely used in jurisprudence. An example is the law firm International Legal Group. It provides services to entrepreneurs in solving any complex business problems. Joint-stock company "International Cooperation Center", which specializes in the management of commercial real estate, as well as uses outsourcing not only in the field of marketing and information technologies, but also in the field of energy consumption.

The Cabinet of Ministers of the Republic of Uzbekistan also made a special decision on gradual introduction of outsourcing for providing food for the units of the Ministry of Defense[1]. It is assumed that the ministry will be able to optimize the number of canteens in its structure, reduce the cost for purchasing and delivering products, improving the quality and variety of food. An outsourcing organization that wins a tender will temporarily receive premises and equipment from the Ministry of Defense for free use.

10.2.5. Freelance

In the modern labour market, *freelance* is considered as an independent type of employment oriented to a specific job on a contract basis. In most cases, a freelancer carries out labour activities on the basis of an oral agreement or a one-time contract without the requirement of any social guarantees.

Generally speaking, freelance can be considered as one of the types of work at a distance. Freelancers carry out labour activities outside the employer's enterprise, without using his premises and equipment. Therefore, the employer pays the freelancer only for practically executed work.

[1] Resolution of the Cabinet of Ministers of November 24, 2017 No. 942 "On measures for fundamentally improving food quality for military personnel in the troops of the Ministry of Defense of the Republic of Uzbekistan". – URL: https://www.norma.uz

Freelancer himself finds a client for whom he will carry out labour activity, perform a coordinated job and receive a salary for it. In general, freelance can be considered as the first step to creating own business. At present, more than 90 specialties are required for freelancing. Many of them do not need careful preparation. These simple professions can be mastered within 2 to 3 months.

As a rule, freelancers are employees periodically engaged in labour activities with special knowledge and high qualifications. Their unique properties do not allow them to remain without work. Freelance can be considered a kind of shadow employment.

There are many representatives of information and communication spheres, creative professions among freelancers – writers, artists, designers, architects, etc. At present, engineers, managers, consultants also become freelancers. This form of carrying out labour activity has advantages and disadvantages for both freelancers and employers (table 10.4).

Freelancers, as a rule, do not seek to arrange social and labour relations with the employer, in particular, they do not pay taxes. At the same time, they save the employer's expenses on taxes and other social payments.

Development of the Internet, expansion of remote work opportunities has led to a widespread freelancing. Now the freelancing market in the world is developing rapidly. In the United States alone, almost 37% of the able-bodied population (57 million people) are attracted to this form of employment.

Table 10.4

Advantages and disadvantages of freelancing

Indicator	For freelancers	For employers
Advantages	Independence, volunteer work	Payment only for work performed
	Possibility to work at home	Access to highly qualified specialists in different regions
	Possibility to choose an employer	Cost savings for the organization of the workplace
	Reducing the cost for running the own business	Saving social benefits for hired employees
	Opportunities to be engaged in family and public affairs	Possibility to terminate an employment contract at any time

Disadvantages	Responsibility to regularly look for a job	Lack of control over the execution of work
	Unstable income	Inability to attract freelancers to long-term projects
	Lack of social guarantees	Fraud of some freelancers

In Uzbekistan, there are also about 1,500 freelancers registered for Russian and American freelance exchanges. Currently, employment, bringing income to youth without interruption from studies is a manifestation of freelancing. According to the Ministry of Employment and Labour Relations, 56% of the population in the labour market is informally employed.

Currently, it is planned to equate freelancing with individual entrepreneurial activity in the country. In accordance with the current legislation in the country there is the concept of home-based work, similar to the labour activity of a freelancer. However, in home-based work, the employer must provide the employee with supplies, instruments and equipment necessary for labour activity. Therefore, corresponding amendments and additions must be introduced into the current Labour Code of the Republic of Uzbekistan for creating a legal framework for the activity of freelancers.

Strengthening the legal framework of labour activity of freelancers is of great importance, especially in solving the problem of employment. Implementation of labour activity by freelancers legally will provide guarantees of their social protection. At the same time, freelancers are able to help attract additional foreign investment in the country.

Among the problems that freelancers face today is the impossibility of withdrawal of funds earned: they mostly get salary in e-wallets, like Yandex.Money, WebMoney. Legal means of withdrawing funds from such wallets do not exist.

Uzbekistan currently lacks the status of freelancer, so the citizens of the country cannot yet engage in it legally.

When exporting services abroad, they cannot receive payment, as well as pay taxes. First of all, the issue of legalizing freelance involves expansion of existing forms of employment and introduction of new forms of self-employment in the legislation.

Advantages of legalizing activities for a freelancer are as follows:

– opportunities to take a consumer loan or a loan for business development, since it will be possible to confirm income;

– creation of conditions with departure to foreign countries;

– possibility to transfer funds to the pension fund and to receive social benefits upon retirement;

– lack of problems with authorities due to the lack of an official place of work.

Advantages of legalization for the state consist, of course, in increasing budget revenues, providing employment, developing the intellectual labour market.

Recently, the freelance market is growing. In the United Staes, about 37% of the able-bodied population is involved in freelancing, about 5% in Russia. The number of freelancers in Uzbekistan registered on Russian and American exchanges amounts to no more than 1.5 thousand, while in the United States there are 57 million, and 5 million in Russia.

In international law, freelancers are people who work independently, without contractual obligations, are not geographically tied to an employer and can simultaneously conduct several projects.

There is a concept of home-based work in the legislation of Uzbekistan. However, according to it, the employer must provide the employee with everything – tools, supplies, equipment.

The downside in provision of services under a civil law contract between an employer and an employee became that taxes in this case are burdensome and make up about 50% today.

When a freelancer performs an activity of the FE of 80 names of types of activities that are allowed, in part, can be taken only two types – advertising and writing software. Therefore, it is necessary to include the concept of freelance in this list, which will increase the payment of taxes, legalize existing freelancers, ensure the inflow of foreign investment. According to the legislation, the public offer contract accepted by one of the parties is equal to the contract signed by the parties.

Decree of the President of the Republic of Uzbekistan of July 14, 2018 No. DP-3856 "On measures for improving and increasing the efficiency of activities on ensuring employment of the population" provides for creation by the Ministry of Employment and Labour Relations in cooperation with the Ministry of Finance of a special website freelancer.mehnat.uz. This will give freelancers the opportunity to announce their services for free, and employers about their orders for them.

10.2.6. Co-working

Co-working is a modern form of joint labour activity of a large number of people with a specialty, qualification, knowledge and interest. In a broad sense, co-working is a new approach to the organization of labour of people engaged in various types of employment in the common area. In a narrow sense, it can be called a command office. Co-working is also treated as a joint labour activity of equal people.

Co-working is a community of free and independent people of different professions who are united in one room to do a certain job. Web designers, programmers, copywriters, freelancers, entrepreneurs, as well as employees of small companies who find it unprofitable to rent an entire office, work side by side in the same area. Thus, co-working is an innovation in organization of labour activity.

The co-working centers are equipped with everything necessary for carrying out valuable labour. As a rule, in addition to the working area, they also include a recreation area, a kitchen or a car with food and drinks, a meeting room and own library. So it turns out office for rent, a place in which you can rent for a day, and the whole year.

In 2005, a young American Programmer Brad Newberg laid the foundation for the first co-working, which brought together several like-minded freelancers under his roof. The idea was to create a workspace between an ordinary office and a home. As you can see, the idea turned out to be successful and brought the founder world-wide fame. From now on, co-working is becoming very popular.

Recently this direction in Uzbekistan is developing much slower than abroad. The reasons for this lie in complexities of registration, as well as it is also difficult to find a place that simultaneously meets several important parameters:

1) the place must have comfortable accommodation. It is desirable that this was the center of the city, since it is unlikely that anyone would want to go to the doubtful dormitory area on the outskirts. In addition, it would be a big plus if the center was located within walking distance from public transport stops;

2) the layout of the room should be atypical. Offices of companies should not be copied in no case, since your task is to create a unique creative place where people will not only work comfortably, but also just be interested to spend time;

3) stable and fast Internet is the most important, required condition, without which the center will not be able to function normally.

Organization of labour activity in the form of co-working is aimed at saving costs for the organization of the workplace. For example, gathering specialists working on a single project in one place to organize a brainstorm is a typical type of co-working.

Co-working is also considered as a product of the economy, based on knowledge. The first co-workings appeared in the 1990s in the United States and Germany due to the growing role of intelligentsia in economic development and development of technical progress. They were based on the exchange of experience and provision of assistance between people with different backgrounds and skills.

At the same time, co-working means that entrepreneurs (as a rule, those who start their business) will have the opportunity to share experience, discuss new ideas together, work on independent projects to achieve efficiency in implementation of ideas and projects, as well as save costs for rent.

A specialized co-working center is an organization that provides entrepreneurs with rental jobs for a large number of people. Such jobs, in most cases, are rented by entrepreneurs who are just beginning to enter the market, realizing their start-ups, and do not have an opportunity to have their own building.

The center that uses co-working is called the third place (the first and second – home and work). Such a model of employment helps tenants of co-working center to realize their start-ups, creative ideas. Taking into account that there are many tenants in such centers, new ideas will be discussed together with most other projects, it will be possible to implement them more effectively.

Co-working is a place of work for creative youth. In such centers, along with enhancement of their knowledge, skills, and experience, they will be able to realize their initial projects. Therefore, co-working is also considered as a creative cluster.

According to the newspaper Deskmag, dedicated to co-working, in 2014, 300 thousand people from around the world carried out labour activities in 6 thousand coworkings. Proponents of this system note that such an organization of labour activity brings great benefits, especially in solving scientific problems, complex production problems, social issues. If to consider the pros and cons of co-working, then we can draw the following conclusions (table 10.5).

Table 10.5

Advantages and disadvantages of co-working

Advantages	**Disadvantages**
1	2
Well-planned and organized working environment that allows to execute tasks as efficiently as possible.	Material and time costs for the road to the center
Effective communication, expanding the range of useful contacts	It is important to be constantly attentive not to lose personal items.

Opportunity to meet like-minded people with whom you can discuss and share different ideas	Noisy neighborhood is not excluded
Constant trainings and workshops, held at the center, promote professional growth.	Lack of normal nutrition, although in some centers it is now being introduced
Presence of a meeting room, allowing to arrange business meetings	Payment of rent, although insignificant, being the next item of expenditure
Inclusion in the cost of renting a workplace using office equipment, free Internet and many additional services, on which it will be possible to save	
Relatively low price compared to renting an office	

One of the forms of co-working is *education hubs*, which have recently become popular. Such hubs can have paid or free educational courses in various fields, highly qualified specialists can give lectures in various fields of science, hold other cultural and enlightenment events. Education hubs give young people first of all the opportunity not only to deepen the knowledge, but also to exchange views with the peers, to discuss various projects and ideas.

Uzbekistan also plans to become a regional education hub for the whole Central Asia. To this end, in the next five years, the coverage of the population with higher education is planned to be increased to 25%. Branches of the most prestigious universities of the world are opening in the country, joint faculties are being created. As a result, competition in the national education system is intensifying, the quality of education is drastically improving. In education institutions of Uzbekistan not only students of the country, but also young people from foreign countries are studying.

10.2.7. Crowdsourcing

Crowdsourcing is a form of voluntary involvement of a wide range of people with special abilities, knowledge and experience in order to solve certain production problems using information and communication technologies. This term was first used by writer Jeff Howe and editor of Wired magazine Mark Robinson. In

England, the government used this method in 1714. Then the government urged everyone in the country to find a clear means of determining the distance at sea. From the point of view of form, it looks like outsourcing.

If activity in outsourcing is carried out by paying a certain salary to professional performers outside the company, then in crowdsourcing, as a rule, the idea stated in accordance with the assignment does not provide for the payment of a salary for a project or can be awarded only for certain of the most noticeable proposals. At the same time, this task is executed by persons who voluntarily wish to spend their free time on certain research or development, by amateurs and specialists who do not want to receive a salary.

Crowdsourcing is also called innovation, intended for the user. At the same time, companies not only address their clients with an issue about their needs, but also ask them for ideas on improving items or services that can satisfy this need.

The task of crowdsourcing is accumulation of ideas, suggestions and experiences of citizens in order to make effective decisions on development of the urban environment. With this tool, residents get the opportunity to influence urban development, implement alternative proposals and their own initiatives. Crowdsourcing gives the local business to understand what needs people have and what services will be in demand. The discussed projects become more thoughtful, it allows to avoid urban planning conflicts and increases trust between all interested parties of the project.

The following advantages of crowdsourcing can be highlighted:

– ability to use the knowledge, skills and talents of specialists in the country, region and even around the world;

– ability to assign work intended for one person to a very large group of people;

– possessing practically without expenses the necessary ideas, innovations and other important ideas, etc.

Most companies in the world effectively use crowdsourcing. In particular, many companies offer their customers to become participants in the production process. For example, Procter & Gamble receives very valuable ideas and suggestions from more than 160 thousand customers, giving them a small amount of cash rewards for the best ideas.

Japanese furniture company Muji was able to attract almost 500 thousand people to its corporate webpage on the Internet. The company requests proposals from the company's clients for evaluation and improvement of their furniture design. The best ideas will be presented to professional designers of the company. As a result, Muji creates items that are in high demand in the world and analyzes its market through these customers. It offers consumers to order products to be produced. If 300 customers give a pre-order, this means that the furniture can be made and is available for sale as a product.

With the help of crowdsourcing even a new text of the Constitution of Iceland was created. Foreign experience demonstrates the huge advantages of using crowdsourcing in the interaction of government and citizens. Tashkent made the first step in this direction by launching the project "Tashkent Loves You". "Our main goal is to ensure all citizens' happiness with the changes, so we will carefully consider each idea. Your vote is the main step towards the future of Tashkent. Tashkent doesn't care. Tashkent will hear everyone. Tashkent loves you", with these words the Acting Khokim of the capital and at the same time the project leader appealed to all citizens to become co-authors of transformation of the capital and part of large-scale changes.

The platform's work is as transparent as possible: anyone can suggest a copyright solution for improving the city's infrastructure for discussion. Then there is an open vote, the idea is being improved through an open dialogue, the most pressing issues related to school and higher education, roads, tourism, water supply, lighting and construction are discussed. Now issues of assigning areas for walking pets, homeless animals are being actively raised. The public signals the need for creating additional amenities for persons with disabilities. Thus, absolutely all areas of life are covered. The most popular ideas at the moment sound like this: "It would be great if many garbage bins were installed on the streets of the city", "It would be great if urban sculptures appeared in Tashkent", "It would be great if air conditioners were installed in public transport". Therefore, even such seemingly small things can significantly improve our life, create comfort and coziness for guests of Tashkent.

With the launch of the project "Tashkent Loves You", the capital has lately been trying on its best "outfits". The feeling of an eternal holiday is created, and the atmosphere itself calls to walk more often along the bright streets of the city in order not to miss anything.

Indeed, people walking in the evenings in the streets, in squares and parks became much more, especially in the center. It's nice to see happy people enjoying the beauty and comfort of the capital. It is doubly pleasant when you also had a hand in creating this cosiness. Not by chance the slogan of the project became: "Love your city, and Tashkent will love you back".

Unsustainable forms of employment, family business, home-based work, provision of services or a type of labour activity such as cattle breeding are among the areas of employment of the poplation. That is why in recent years, special attention has been paid to the introduction and development of new forms of employment. In particular, to solve the problem of providing employment and increasing the income of the population, special attention is paid to development of various forms of home-based work, including the expansion of cooperation with industrial enterprises. Strengthening cooperation between enterprises and home-based workers contributes to solving important problems of increasing family income, reducing the number of unemployed and attracting the economically active part of the population to labour activity. At the same time, home-based workers receive the right to registration of work experience, receive a pension and social security benefits.

Development of family contracting by industrial enterprises on the basis of providing subjects of home-based work contributes not only to providing employment of the poplation and receiving income for the population, but also to development of production of low-cost and cost-effective components, as well as other products. This serves to increase the production efficiency of large enterprises. Uncompetitive women in the labour market, especially those with many children, usually are engaged in home-based work. Such labour activity allows them to combine home-based work with other family tasks. In Uzbekistan, these types of home-based work are common, such as sewing and repairing outerwear, shoes, making furniture, souvenirs, production of components for industrial enterprises, baking bread and confectionery.

"Electronic home-based work" can be considered an ideal concept, since it means that the category of staff employed, in addition to remote execution, uses modern information and communication technologies. These types of home-based work are widely used in the economy of the country, demonstrating its effectiveness, since the normative and legal acts adopted in the country allow to freely engage in this type of activity. In order to stimulate this form of employment, a number of benefits are provided for home-based workers:

- from February 1, 2006 to January 1, 2021, enterprises placing orders for production of goods (works and services) at home-based workers, are exempted from paying a single social payment from the wage fund in the amount of funds paid to home-based workers, in accordance with employment contract;
- granted the right to enterprises to transfer equipment, tools and inventory to home-based workers on the basis of concluded labour agreements for free

use or on lease terms, including leasing (financial lease), for organizing the production of products and services ordered by enterprises;

– power, energy-intensive and technically complex equipment, as well as hazardous chemical components that require compliance with special safety equipment that cannot be monitored in home-based conditions, are not subject to transfer, rental, leasing and use in home-based conditions;

– additional certification and standardization of products and services produced in home-based conditions is not required, subject to full compliance by home-based workers of production technologies of client enterprises. At the same time, the responsibility for compliance with the established quality standards for products manufactured at home, when it is returned to industrial enterprises, is placed on home-based workers, and when it is sold final consumers – on an industrial enterprise;

– return of products (works, services) by home-based workers to enterprises with which they work under an employment contract, is not a wholesale trade and is not subject to licensing;

– control over activities of home-based workers by control and supervising bodies can be carried out only when checking the customer company, carried out in the manner prescribed by the legislation.

The Resolution of the Cabinet of Ministers of January 11, 2006 approved the "Regulation on home-based work". It gives the following definition of home-based work:

1. Home-based work means activity carried out by an individual (home-based worker) to produce goods or provide services ordered by the employer in accordance with the concluded labour contract at his place of residence or in other premises belonging to him or his family members.

2. Home-based work is organized on the basis of cooperation between enterprises and citizens engaged in production of products and services on their orders at home, in those industries and services, in which the technological process and other conditions allow to produce certain types of components, semi-finished products, products and home-based work.

3. A home-based worker may become an individual at the age of 16 and older. In the event that the nature of home-based work predetermines the need to conclude a contract on full individual liability with the home-based worker, persons who have attained the age of 18 are allowed to exercise home-based work.

4. The employer is a legal entity that sets up a production assignment for a home-based worker, provides him with equipment, tools, supplies, components, raw materials and other means of production, accepts and pays for work carried out in accordance with the signed employment contract with homebased worker.

The employer, as the head of the enterprise, concludes an employment contract with a home-based worker in writing, which states:

– place of work and address at which the workplace of the home-based worker is located;

– labour function of the employee, i.e. the specialty, qualifications, as well as types of work that the home-based worker must execute;

– the day of commencement of work, the term of employment contract (when a labour contract is concluded for a specific period or during the execution of individual activites);

– amount and terms of remuneration;

– the procedure for provision of equipment, inventory, components, raw materials, supplies, semi-finished products for conducting labour activity as a home-based worker;

– order of acceptance and delivery of raw materials, supplies and finished products;

– terms of liability;

– obligations of the employer and the home-based worker to comply with necessary rules of protection and working conditions;

– conditions for granting vacations, social insurance, pensions for the home-based worker;

– the procedure and conditions for reimbursement of expenses of the home-based worker in case of using his equipment, tools and inventory to fulfill the employer's order;

– procedure for reimbursement (compensation) of home-based worker's expenses for energy, water, communications, used in connection with execution of the employer's order;

– obligations of the employer to carry out repairs of equipment, tools and inventory transferred to the home-based worker for implementation of labour functions;

– terms of compensation for damage to the employer, related to the supplies, equipment, tools damage, as well as complete and partial defect of products caused by the home-based worker;

– the procedure for carrying out the inventory of equipment, tools, inventory, components, raw materials and supplies transferred to the homebased worker and conditions for admitting representatives of the employer and supervisory authorities to premises in which home-based work is carried out;

– obligations of the home-based worker about the notice to the employer in case of impossibility to fulfill the order on time due to circumstances independent of the home-based worker (lack of electricity, water, gas, etc.).

The work of home-based workers is usually paid by the job, in this case;

– payment is made for the actual work performed or manufactured products meeting the quality requirements;

– production standards and piece-rates are set by agreement of the parties on the basis of normal working time established in accordance with the labour legislation for relevant works;

– for a specific job paid by the piece of work, the amount of remuneration of the home-based worker should be comparable to the terms of remuneration of labour of workers employed in the production of the employer;

– remuneration of a home-based worker cannot be lower than the minimum size established by legislation, subject to the execution by the homebased worker of labour standards and labour duties and is not limited to any maximum amount;

– the work of the home-based worker must be paid either upon delivery of each completed work assignment, scope of work, or at regular intervals established by the labour legislation. An employment contract may provide for an advance payment for the home-based worker's labour;

– if in the area where the home-based worker carries out his activity, a district wage coefficient is established, the home-based worker's remuneration must be made taking into account this coefficient;

– the home-based worker distributes the working time at his discretion, all work implemented by him is paid in a single amount and does not apply to the conditions of remuneration for overtime work, work on weekends and public holidays, as well as work at night.

The employer in accordance with the employment contract reimburses the home-based worker:

– expenses in case a home-based worker uses his equipment, tools and inventory to fulfill the order of the employer;

– expenses of the home-based worker for energy, water, communication, used in connection with the execution of the order of the employer.

Home-based work consortium has been established in Uzbekistan in order to further develop home-based work as one of the most effective forms of involving the unemployed population in production activity and increasing the incomes of family budgets of citizens by expanding their access to financial resources for the purchase of modern machinery, equipment, raw materials and supplies.

Consortium has the right to:

1) allocate loans to home-based workers and enterprises, customers of home-based products for the purchase of modern machines, equipment, raw materials and supplies;

2) to create structural subdivisions with functions for conducting marketing and finding customers for organizing production of home-based products (works

and services), as well as branches in each district of the city of Tashkent to ensure interaction between the home-based worker and the enterprise, home-based products customer by types of home-based activities;

3) independently determine the number of employees of structural units of the Consortium based on the volume of work performed;

4) sign contracts with home-based workers and enterprises, customers of home-based products for production of goods, execution of works and provision of services.

The list of types of home-based activities for the organization of which loans are allocated from the Consortium to support home-based work includes the manufacture of garments and knitwear, haberdashery, confectionery and bakery, furniture products, repair and maintenance of electrical products, gardening services and landscaping.

10.4. Impact of Precarious Employment on the Labour Market

Precarious employment in modern production ensures the satisfaction of the additional need of employers in labour resources. At the same time, in modern conditions, when new technologies are developed without a person, information and communication tools in the national strategy for ensuring employment in the information society, the following should be foreseen in the first place:

– formation of a competitive employee who is able to develop his knowledge and labour skills during the entire labour activity;

– creation of modern jobs that meet decent work, and employment management systems, taking into account flexible forms of employment;

– development and implementation of effective forms of contractual agreements;

– improvement of the legal mechanism of employment in the information society.

In particular, part-time work can be considered as a transition from unemployment to employment or permanent employment, combined with socially useful activities (education, housekeeping, parenting, etc.). Precarious employment contributes to employment of unemployed citizens, including citizens who do not compete in the labour market, and their full use in labour activity. Precarious employment has both positive and negative effects on the labour market (table 10.6).

Table 10.6

Positive and negative characteristics of precarious employment

Positive characteristics of precarious employment	**Negative characteristics of precarious employment**
Improving the situation on the labour market, attracting various labour power groups to economic activity and ensuring labour market flexibility	Precarious employment, which is often carried out informally, covertly, does not provide benefits to the employee from the guarantees and benefits envisaged by labour legislation
Creating opportunities for employers to maintain existing jobs when hiring an employee and using his labour, organizing new jobs, reducing *labour protection costs*	Danger of risk of employer that falls on the employee
Flexible schedule of working hours to effectively use the labour opportunities of employees (personnel training, treatment, performing home-based work, parenting, etc.)	Limited social security of the employee, the possibility of his promotion in labour activity, the uncertainty of the employee in the future
Flexibility of labour relations, which increases the competitiveness of production, reduces the risk of rising unemployment, increases employment opportunities and expands ways of earning income for job seekers	

Precarious forms of employment contribute to the adaptation of the labour market to major changes in the economic and social-labour relations. At the same time, according to ILO experts, non-standard forms of employment can provide employers with profit in the short term. In the long term, this will lead to a decrease in labour productivity.

Companies that prefer the use non-standard forms of employment, almost do not allocate funds to improve the qualifications of their employees, do not pay enough attention to the introduction of technologies and innovations that contribute to improving labour productivity. This situation affects society as a whole. Precarious employment increases the social vulnerability of workers who, in particular, are unable to obtain a bank loan, do not rush with the creation of a family.

The ILO recommends governments of the world to adopt normative and legal acts providing for the creation of necessary conditions for employees, regardless of the form of labour contracts. In these documents, it is advisable to provide a minimum guaranteed amount of employment (working hour, working day, working week, working month), conditions for the activities of trade unions and other measures to protect the rights of workers.

According to ILO experts, the priority directions of the state policy to promote employment of the population should include:

– *economic direction* (benefits in the allocation of loans and in taxation, fiscal policy aimed at stimulating the creation and preservation of jobs, improving the quality of human resources);

– *organizational direction* (non-standard employment, creation of a base of free workplaces, the state system of professional orientation, training and retraining workers, supporting interregional labour migration);

– *legislative direction*: conclusion of employment contracts; legalization of working time, overtime mode; establishment of quotas for employment; regulation of employment activity duration;

– *social direction* (provision of social support to non-competitive citizens in the labour market, professional rehabilitation and employment of persons with disabilities, development of measures on reducing family unemployment and unemployment in rural areas, provision of qualitative social services in order to attract unemployed to effective employment).

Implementation of measures in these areas will contribute to improving the structure of employment, raising the level of social protection of employees and improving the process of using loan labour.

In order to ensure social protection of employees, taking into account the flexibility of the labour market in the early 1990s, the flexicurity system was introduced. The essence of flexicurity is to provide social protection for workers in a flexible labour market through conducting active state policy. This model was first used in Denmark. In 2000, the EU adopted flexicurity as one of the main areas of employment policy in Europe.

According to this concept, the employer has the right to dismiss employees at his own discretion and accept new ones, ensuring the flexibility of the labour market. Currently, representatives of trade unions and employers are signing an agreement on mutual resolution of social issues of workers without government intervention.

The state legally establishes flexible terms of employment and dismissal of employees. In an innovative economy, this is an objective necessity for employers for modernizing and diversifying production.

The flexicurity model also provides for a strong social protection of the unemployed. In particular, payments are made to the unemployed in the amount of 90% of wages for a long time, contracts with them are concluded for carrying out temporary labour activity, advanced training programs are being implemented at the expense of the state and training new professions.

CHAPTER XI.

PUBLIC EMPLOYMENT POLICY ON LABOUR MARKET

11.1. THE ROLE OF THE STATE IN THE LABOUR MARKET

Regulation of the labour market represents a comprehensive system of economic, legislative, administrative, organizational measures aimed at stimulating employment growth, training and retraining workers, introduction of a social insurance system for unemployment, mandatory pension benefits and other elements of the economic system of society.

The goal of public administration is to create optimal conditions for the state of society and the state in accordance with the outlined prospects for their development. There are two main forms of state regulation of the labour market:

1) direct (programs on stimulating employment growth and increasing the number of jobs in the public sector, social insurance for unemployment, aimed at training and re-training the labour power);

2) indirect (government legislation, government tax policy, monetary policy, etc.).

Activity of the state in the labour market should consist in the regulation of wages, employment, and the mode of labour. Lately the formation of the labour market has been accelerated in the world with the transition to industrial development. In the research of economists, the main theme also became the definition of the role of the state in the labour market.

The French economist Marquis de Gournay called for the beginning of free competition. In 1758, at the Assembly of the Physiocratic school, he forwarded the slogan Laissez faire, laissez passer ("Let them do what they want, let go where they want"), which called for economic freedom, elimination of obstacles to the market economy, which became the basis for the idea of A. Smith about the invisible hand of the market.

However, in the 1930s, the Great Depression in the United States demonstrated the inability of market economy mechanisms to regulate everything. At that time, J. Keynes expressed the opinion that the market is unable to balance supply and demand, therefore ideas about the need for expanding the state's investment activities, striving to achieve full employment, redistributing income for increasing demand from the population and taking other social measures opened a new page in economic theory.

In the second half of the 20th century, a middle class (60-70% of the population), consisting of entrepreneurs of small and medium business, managers, engineers and technicians, employees, highly qualified workers, was formed in the developed countries of the West. At the same time, new improved state market regulation structures, new ministries, institutions and services, labour market research centers, designed to implement public employment policy, were created in these countries. As a result, state regulation of the labour market has acquired a wide and permanent character.

Such policies of developed countries ensured high efficiency: along with ensuring unprecedented economic growth (4-5% per year), for decades almost full employment was provided (unemployment did not exceed 1.5% of the economically active population) and sharply increasing the welfare of the population.

However, in the 1970s, a new situation emerged in the economy of the United States and Western European countries, which continued for decades, it was *stagflation*, i.e., a simultaneous sharp increase in inflation and unemployment. For example, the inflation rate reached 10%, and unemployment over the decades 9% in the United States in 1975. This meant that the theory did not justify itself.

The situation once again forwarded the idea of Marquis de Gournay, Laissez faire, laissez passer, i.e., reducing state intervention in the economy, on the agenda for ten years. This was reflected in Reaganomics, the economic policy of the United States President Ronald Reagan and Thatcherism, the economic policy of British Prime Minister Margaret Thatcher.

In economic theory, this concept of a new liberal direction was called *monetarism*. Representatives of this direction, primarily the Nobel Prize Winner M. Friedman, introduced the concept of "natural unemployment rate". Monetarists denied the possibility of full employment of the able-bodied population and the involuntary unemployment property. In their opinion, the natural rate of unemployment is unemployment at 5-6% in a relatively long period, not related to economic growth rates, objectively formed as a result of natural causes (staff turnover, labour migration, demographic factors). Supporters of this concept for regulating unemployment suggested reducing labour resources supply through partial and temporary employment, early retirement of workers, and restrictions on external labour migration.

The essence of the labour market is revealed in its relationship with subjects (fig. 11.1).

All subjects of the labour market interact with each other in a competitive environment. Competition in the labour market determines its conjuncture. The labour market conjuncture is as diverse as in other markets (fig. 11.2):

1. *Labour market with non-equilibrium conjuncture.* It also divides into two types:

– labour-deficient, when the labour market lacks labour supply;

– labour surplus, when the labour market has a large number of unemployed and, accordingly, an excess of labour supply.

2. *Labour market with equilibrium conjuncture.* In such a labour market, the supply of labour resources is proportional to demand. It has the following features:

– the equilibrium wage rate that suits the employer, for whom it is expensive, and the employee, for whom wages are a source of income and a means for existence;

– balance of labour. This implies the conformity of jobs to the supply of labour resources.

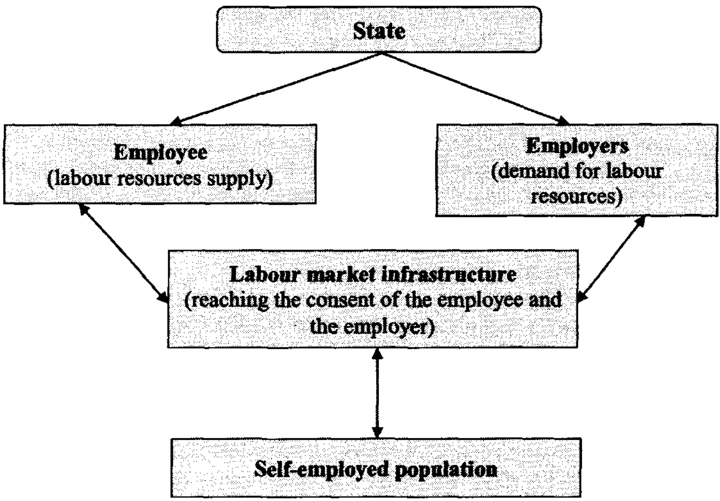

Fig. 11.1. Interaction of the labour market subjects

In other words, an equilibrium labour market involves the provision of full, productive, rational and efficient employment, as provided for in the International Labour Organization's Decent Work Concept.

At present, the state policy of regulating the labour market is formed taking into account the state of the national economy, the level of development of productive forces, social and labour relations and many other factors. The state can pursue an active and inactive labour market policy.

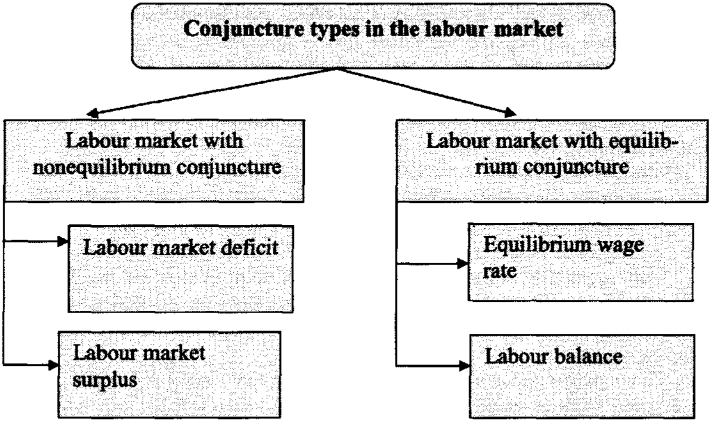

Fig. 11.2. Conjuncture types in the labour market

Active state policy on the labour market is a complex of legal, organizational and economic measures aimed at regulating relations between labour market subjects and provides for full support of workers in the pursuit of professional training, retraining and self-improving competitiveness in the labour market. Social and labour relations, primarily the cooperation of social partners (employees, employers and their representatives, as well as the state) have a great influence on active state policy in the labour market.

Inactive state intervention in the labour market is limited by the creation of a list of job seekers, formation of a system of unemployment benefits and provision of social support to the unemployed and their families.

Article 6 of the Law "On Employment of the Population" of the Republic of Uzbekistan states that the state guarantees:

– freedom to choose the type of employment, including work with different labour regimes;

– protection against unlawful refusals of employment and termination of an employment contract;

– free assistance in selection of a suitable job and employment;

– providing everyone with equal opportunities in obtaining a profession and work, working and employment conditions, remuneration, career advancement;

– free training of a new profession (specialty), advanced training in local labour agencies or their direction in other education institutions with payment of scholarships;

– compensation in accordance with the legislation of material costs when applying for work in another locality;

– the possibility of concluding fixed-term labour contracts for participation in paid public works.

The state on the labour market can mainly act as:

– employer of state enterprises;

– investor of state development programs and large projects;

– regulator of labour market functioning mechanisms (fig. 11.3).

State regulation of the labour market is a system of standard legislative, executive and controlling nature carried out by competent state institutions and public organizations in order to stabilize and adapt the existing socio-economic system to changing conditions.

The regulatory policy as an integral part of the economic policy envisages the achievement of three main objectives: stimulating structural adjustment and accelerating the process of redistribution of the released workers, the most rapid involvement of unemployed in labour life, providing work to everyone who is looking for it.

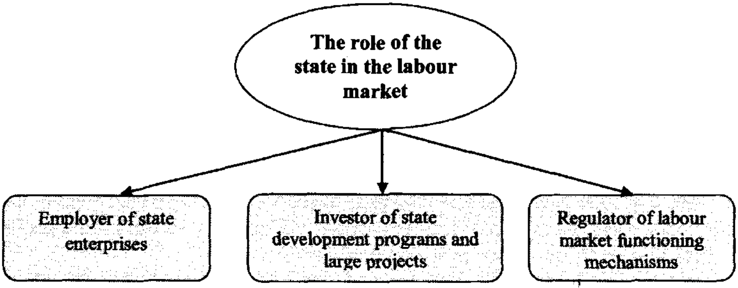

Fig. 11.3. The role of the state in the labour market

On the one hand, the state acts as a subject of relations in the labour market, a spokesman for national interests, a guarantor of compliance with labour legislation and an institution for mitigating domestic market contradictions and the negative consequences of the work of a free market mechanism. On the other hand, the state is an independent entity on the labour market, as an employer who pursues his own interests, but within the framework of national ones.

In Uzbekistan, the share of state property in gross domestic product has drastically reduced in the years of independence (fig. 11.4). However, the state is still the main employer in social sphere – public education, medicine, culture, etc.

The state as an employer has a great influence on social and labour relations in various sectors of the economy. For example, the state, increasing wages in the public sector of the economy, also recommends private employers to raise wages.

The role of the state as an investor is expressed, firstly, in supporting economic sectors that do not have preferences, and contributes to creation of new jobs; secondly, modernized enterprises increase production and pay additional taxes. It also contributes to harmonization of social and labour relations.

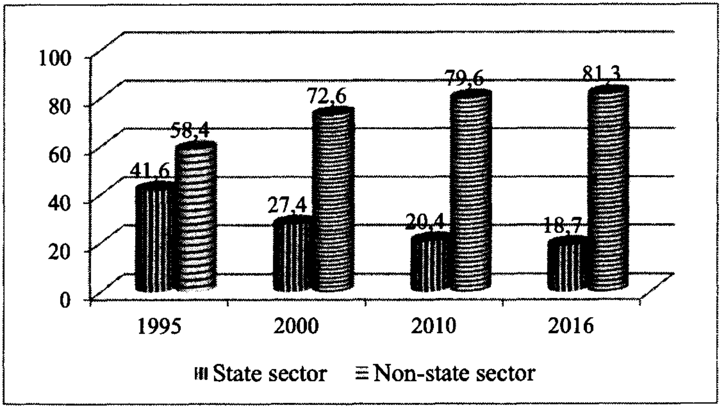

Fig. 11.4. The share of state and non-state sectors in gross domestic product in Uzbekistan (in % of the gross domestic product)[1]

Ministry of Investments and Foreign Trade of the Republic of Uzbekistan was formed in order to fully realize the investment potential of the country, further improve the investment climate, and increase the efficiency of attracted foreign investments. Its main tasks and directions are coordination of activities on formation

[1] According to the State Statistics Committee of the Republic of Uzbekistan. – URL: // http: // www.stat.uz

and conduction of a unified state investment policy, including attracting foreign investment aimed at stimulating the expansion of investment in sectors of the economy and regions of the country, further improving the investment climate in the country, supporting development of enterprises with participation of foreign capital[1].

Recently, large state investment projects have been funded by the Government of Uzbekistan or under its guarantee, as well as through the Fund for Reconstruction and Development.

The state also plays an important role in regulation of labour market mechanisms, which is carried out by means of administrative, economic and organizational methods (fig. 11.5).

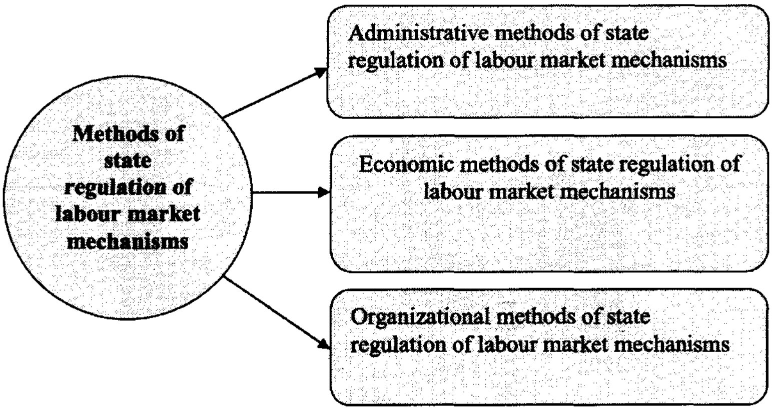

Fig. 11.5. Methods of state regulation of labour market mechanisms

Administrative methods of state regulation of labour market mechanisms include the creation of new jobs, licensing of enterprises, regulation of the level of demography and the migration process.

Economic methods of state regulation of labour market mechanisms include the following:

- granting tax incentives to employers who create new jobs;
- formation of state funds of promoting employment of the population;

[1] Resolution of the President of the Republic of Uzbekistan of January 28, 2019 "On organization of activities of the Ministry of Investments and Foreign Trade of the Republic of Uzbekistan". – URL: http: // www.lex.uz

- financing measures for employment of the population;
- government orders for non-state sector;
- stimulation of self-employment, etc.

Organized state regulation of the labour market is aimed at creating favorable socio-economic conditions for all its participants and includes programs for regional development, forecasting, organization employment services, career guidance for youth, etc.

11.2. Public employment policy

The public employment policy is a complex of measures of impact on socio-economic development of society and each of its members. It has several levels: national, regional and local. There are European, Scandinavian and American models of employment policy.

The public employment policy includes three main models:

1) *European* – reducing the number of people employed while increasing the productivity of labour and, as a result, increasing income. Such a policy involves an expensive system of assistance for a large number of unemployed;

2) *Scandinavian* – providing employment to almost all workers by creating jobs in the public sector with average wage conditions. Such a policy is designed mainly for public funds, with a deficit of which production declines, which leads to layoffs;

3) *American* – is focused on creation jobs that do not require high productivity for a significant part of the economically active population. With this approach, unemployment formally decreases, but the number of people with low incomes increases.

Public employment policy is carried out in accordance with international documents. Article 23 of the Universal Declaration of Human Rights establishes the right of everyone to work, to free choice of employment, to just and and favourable conditions of work and to protection against unemployment. A number of international conventions and recommendations of the International Labour Organization are also devoted to the public employment policy: Employment Policy Convention C.122 of 1964, Employment Promotion and Protection Against Unemployment Convention C.168 of 1988.

In Uzbekistan, the public employment policy is based on the following principles:

– ensuring equal opportunities in implementation of the right to work and free choice of employment for all citizens regardless of gender, age, race, nationality, language, social origin, property and official status, attitude to religion, belief, membership in public associations, as well as other circumstances that are not associated with business qualities of workers and the results of their work;

– maintenance and encouragement of labour and entrepreneurial initiative of people, assistance in development of their abilities for productive and creative work, ensuring decent working and living conditions;

– voluntary labour;

– provision of social guarantees in employment and ensuring protection of the population against unemployment;

– encouraging employers who retain existing and create new jobs for citizens who are especially in need of social protection and who have difficulty finding a job;

– coordination of employment activities with other areas of economic and social policy;

– interaction of state bodies, trade unions, representative bodies of employees and employers in development, implementation and control over the implementation of measures for ensuring employment of the population;

– interstate cooperation in solving problems of employment of the population.

Public employment policy is implemented at the national and regional levels (table 11.1).

The state also guarantees:

– freedom to choose the type of employment, including work with different labour regimes;

– protection against unlawful refusals of employment and termination of employment contracts;

– free assistance in selection of a suitable job and employment;

– providing everyone with equal opportunities in obtaining a profession and work, working and employment conditions, remuneration, career advancement;

– free training of a new profession (specialty), advanced training in local labour agencies or their direction in other education institutions with the payment of scholarships;

– compensation in accordance with the legislation of material costs when applying for work in another locality;

– possibility of concluding fixed-term labour contracts for participation in paid public works.

Table 11.1

Public employment policy at the national and regional levels

Public employment policy at the national level	**Public employment policy at the regional level**
Development of normative-legal acts guaranteeing free, full, productive employment of the population	Implementation of the main directions of public employment policy
Development and implementation of state programs on ensuring employment of the population	Adoption of normative-legal acts ensuring the implementation of general principles of the public employment policy
Development and introduction of measures for the implementation of structural, financial, credit, investment and tax policies promoting labour market development	Development and implementation of regional programs for creating jobs and employment
Coordination of measures with other sectors of economic and social employment policy	Development of home-based work, crafts, family business
Conduction of examination of working conditions, further improvement of labour relations and labour incentive mechanisms	Employment of graduates of secondary special, professional and higher education institutions
Analysis of the labour market and development of measures for forecasting and increasing the level of employment	Establishment of quotas of minimum jobs for employment of non-competitive citizens in the labour market or support for certain types of work (labour)
Supporting and promotion of employment and entrepreneurial initiatives of the population	Paid temporary and public works

The state provides additional guarantees:

– to persons in need of social protection, who have difficulty in finding a job and who are unable to compete on equal terms in the labour market, including single parents and families with many children who have children under the age of fourteen and disabled children;

– to young people who graduated from secondary special, professional education institutions, as well as graduates of higher education institutions who studied under state grants;

– to dismissed from military service from the Armed Forces of the Republic of Uzbekistan;

– to disabled people and persons of pre-retirement age;

– to persons released from institutions under the execution of a punishment or subjected to compulsory measures of a medical nature by a court decision;

– to victims of human trafficking.

Additional guarantees are provided through creation of additional jobs, specialized enterprises, including enterprises for disabled workers, organization of special training programs, establishment of a minimum number of jobs for employment of categories of citizens, as well as other measures provided by the legislation to enterprises, institutions and organizations.

The employer is obliged to recruit persons sent by local labour authorities and other bodies in the manner prescribed by the legislation for employment in jobs at the expense of established minimum number of jobs. The employer and persons authorized by him who unreasonably refused to hire these persons shall be liable in accordance with established procedure.

Citizens looking for work and applying to labour authorities, have the right to free professional advice, training, retraining, advanced training and obtaining relevant information in order to freely choose the type of employment, place of work and mode of work.

The most important direction of the public employment policy of the Republic of Uzbekistan is the policy of increasing the efficiency of the use of labour resources. The structure of employment to a certain extent reflects the overall structure of the economy and changes to a significant degree under the influence of its changes.

Agriculture has been and remains the leader in the number of people employed in it. In 2017, the share of people employed in agriculture, forestry and fisheries amounted to 27.2%, or 3 671.3 thousand people. The employment structure also includes such activities as industry – 13.5% (1 826.8 thousand people), education, healthcare and provision of social services – 12.6% (1 709.2 thousand people), wholesale and retail trade – 11.0% (1 480.2 thousand people), construction – 9.5% (1 290 thousand people). Employment in non-state sector of the economy is predominant and in 2017 amounted to 82.7% of all employment, or 11 182.0 thousand people.

Decision-making in this aspect is to create new jobs by supporting small business and private entrepreneurship in the regions, developing the infrastructure for storing, transporting and processing agricultural products to ensure employment of the population in rural areas.

The main objectives and directions of the public employment policy are:

– implementation on the basis of a thorough analysis of the actual state of the labour market in the context of the country's regions of targeted measures aimed at ensuring employment by developing and coordinating the implementation of territorial and sectoral employment programs, establishing a state order for creation of new jobs and quotas for employment of socially vulnerable groups of the population;

– ensuring employment of unemployed who applied to the labour authorities, attracting people to participate in public works, primarily within the framework of large investment projects, construction, repair and reconstruction of road and housing infrastructure, improvement of cities and districts' seasonal agricultural activities;

– cardinal improvement of the system of professional training, retraining and advanced training of people in need of employment, especially for unemployed youth, people with disabilities and the unemployed in accordance with the real needs of the economy and the labour market;

– implementation, jointly with other ministries, agencies and bodies of the economic management, of measures for ensuring employment of graduates of higher and secondary special, professional education institutions in accordance with the specialty received by them;

– development and implementation of relevant market conditions of normative-legal acts in the field of labour market regulation, employment, labour relations, labour protection, professional and labour standards, ensuring compliance with gender equality, professional training and retraining of unemployed population, social protection of the unemployed and monitoring their execution;

– active introduction of advanced information technologies in employment process, including creation and continuous development of the national base of vacancies;

– creation of a modern infrastructure and competitive environment in the market for employment promotion services, formation of effective mechanisms for interaction between state and economic management bodies, local executive authorities, education institutions, non-governmental organizations, civil society institutions and the public in matters of ensuring employment of the population;

– ensuring control and supervision over compliance with the requirements of legislation in the field of labour protection and employment, examination of working conditions, implementation of specific measures for further improvement of labour relations, mechanisms of material incentives for labour;

– carrying out wide information and explanatory work among the population and employers on the issues of labour rights and labour protection issues;

– monitoring the timely payment of benefits and material assistance to low-income families and development of individual programs for withdrawal of families from low-income by assisting them in providing employment and enhancing private business activities of able-bodied family members.

Persons recognized to be unemployed in the prescribed manner are entitled to receive unemployment benefits.

11.3. Labour market infrastructure

The labour market infrastructure is institutions that provide effective work in the sphere of employment: the personnel services of state and non-state institutions, enterprises, organizations and institutions that promote employment, ensuring balance of supply and demand for labour power, as well as public associations, structures that provide professional training and retraining of personnel, based on normative-legal and financial basis.

The labour market infrastructure is a normative-legal environment providing the most efficient functioning of the labour market. Labour market infrastructure includes:

1) state agencies;
2) non-state employment support structures;
3) personnel services of personnel management of enterprises and firms;
4) public organizations and foundations.

The infrastructure is designed to regulate relationship between the employer and the employee on the price of labour, working conditions, training and retraining of workers, as well as organize and regulate the process of protection of the rights of employers and hired employees in the labour market.

Functions and infrastructures of the labour market include:

– assistance to the population in employment, professional orientation;
– ensuring social protection of workers entering the labour market:
– implementation of professional training and retraining;
– establishing contacts between employers and employees;
– coordination of activities of various bodies, to one degree or another related to the implementation of employment policy and labour market activities.

The labour market infrastructure has the following structural links:

- infrastructure of intermediaries in the labour market (state employment services and private intermediary organizations in the labour market);
- internal infrastructure of enterprises for regulating labour relations (trade unions, employers' associations, labour disputes commission, etc.);
- infrastructure for regulating the labour migration process (state and non-state labour migration services);
- infrastructure of professional and additional education (public and private education institutions) (fig. 11.6).

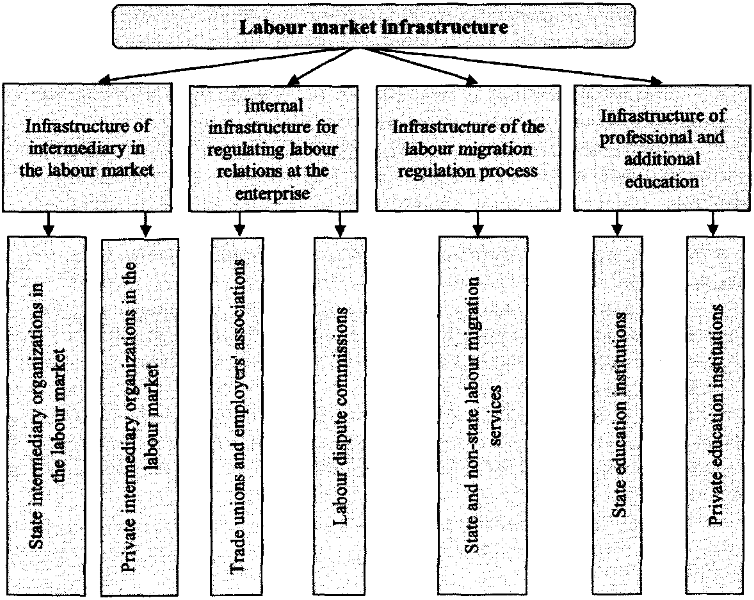

Fig. 11.6. Labour market infrastructure

Other factors include the study of the labour market conjuncture, development of programs for its regulation, provision of information about employees and employers who are in the infrastructure of the labour market of enterprises.

The Ministry of Employment and Labour Relations of the Republic of Karakalpakstan, as well as the main employment offices of the regions and the city of

Tashkent and their district (city) employment promotion centers of the Ministry of Employment and Labour Relations of the country, are of crucial importance in the infrastructure of the national labour market of Uzbekistan.

Thus, local labour authorities:

– render assistance to citizens in selection of suitable work, and to enterprises, institutions, organizations and other employers in selection of necessary workers;

– advise citizens and employers who apply to labour authorities on job opportunities and job security, requirements for employees, and other issues related to providing employment;

– conclude agreements with education institutions, enterprises, institutions and organizations on professional training, retraining and advanced training of non-working citizens;

– ensure registration of unemployed and provide them with help, including appointment and payment of benefits;

– assess the state and prospects for development of the labour market, organize and conduct its monitoring and ensure the dissemination of relevant information;

– keep records of citizens applying for jobs, as well as vacancies;

– participate in development and implementation of employment programs;

– monitor the implementation of workplaces creation programs and ensuring employment of the population on the basis of information provided by enterprises, institutions and organizations included in these programs, as well as data of state statistics bodies;

– receive information from enterprises, institutions and organizations about the supposed structural changes and other activities that may result in the release of workers, as well as the availability of vacancies, nature and working conditions;

– receive information from state and non-state education institutions about their profile and specialization, professional qualification structure and number of graduates;

– sent to enterprises, institutions and organizations applying to the labour authorities for employment in accordance with their professional training and qualification level if there are vacancies;

– develop and submit to local government authorities the proposals on establishment of a minimum number of workplaces for enterprises, institutions and organizations to receive persons in need of social protection, as well as send these citizens to enterprises, institutions and organizations for employment;

– conclude contracts with citizens on employment with preliminary (if necessary) professional training and retraining, advanced training, payment of travel expenses, daily expenses, as well as provide benefits on departure to a new place of residence and work at the expense of funds of relevant enterprises, institutions and organizations by proxy of enterprises, institutions and organizations on their behalf;

– send unemployed for paid public work according to their wishes in the prescribed manner;

– manage the funds of the State Employment Promotion Fund in the prescribed manner;

– appoint citizens the unemployment benefits in the prescribed manner.

Services provided by labour agencies, enterprises, institutions, organizations, other employers, including information on the state of the labour market, are provided free of charge.

Personnel service of enterprises is a specialized division, which is designed to manage personnel in accordance with the personnel policy of a firm or company. Its functions, structure and objectives depend on the characteristics of production, goals and objectives of the enterprise.

Strategic tasks are solved at the highest level of the company's leadership: development of the company's personnel policy, strategy for its implementation, development of normative and methodical documents, general management of personnel.

Personnel service in divisions of large enterprises is mainly engaged in operational tasks: recruitment, placement of staff, advanced training of employees.

In the labour market infrastructure, the role of state and non-state institutions involved in professional training, advanced training and retraining of personnel is also important. In order to effectively organize professional retraining of unemployed and unoccupied population in Uzbekistan, regional professional training centers have been established. Unemployed and unoccupied population in need of employment study there on the basis of a tripartite contract concluded between the employer, district (city) employment assistance centers and the person who expressed a desire to be employed, including those who graduated from professional colleges and academic lyceums, those who do not have a permanent job. The training process in the center is 40 weeks, which are divided into 2 semesters. At the same time, each semester is 12 weeks, the internship is 15 weeks, and the total qualifying exam is 1 week.

An integral part of the curriculum is the passage by students of the educational center of industrial practice at enterprises, institutions and organizations.

The industrial practice is 90 days, weekly load – 36 hours, and 6-8 hours per day, which is a total of 540 hours[1].

Development of the labour market and its institutions is of fundamental importance for all subjects – workers, employers and the state, since it largely determines the models of their behavior in this market. From the position of any organization, the market has the most direct impact on such significant parameters of its activity, such as the presence on the market of a sufficient number of workers, the characteristics of available labour power (demographic, professional-qualification, etc., determining the characteristics of its personnel policies), the magnitude of current and potential labour costs affecting the magnitude of total costs and, most importantly, competitiveness, which is a leading factor in development of the economy of Uzbekistan.

11.4. THE ROLE OF PUBLIC-PRIVATE PARTNERSHIP IN THE SYSTEM OF EMPLOYMENT OF THE POPULATION

Public-private partnership is a system of mutually beneficial cooperation between the state and private subjects in order to solve social problems, provide services, modernize the infrastructure and use resources of non-governmental organizations in other areas.

Public-private partnership in employment has a long history. The first private recruitment service was established in Germany in the 19th century. A little later, recruitment agencies for employment of specialists and personnel commissioned by employers began to operate in the United Kingdom and France. In 1848, the first labour exchange in the world was created in Massachusetts, the United States. Currently there are various types of recruitment agencies in developed countries. Thus, in Europe, of the total number of such agencies, 10% is Executive Search, which is engaged in the search for highly qualified narrow specialists and senior managers, as well as in offering them profitable jobs.

American recruitment agencies Boyden and Kelly, established in 1946, were among the first in the world to start searching and selecting top managers for companies. Currently, Kelly is on the list of top 500 United States companies.

[1] Resolution of the Cabinet of Ministers of the Republic of Uzbekistan of April 10, 2017 No. 199 "On measures for creating professional training centers for unemployed citizens in the Republic of Uzbekistan" // Collection of legislation of the Republic of Uzbekistan. – 2017. – P. 34, 37, 255, 893, 990.

Acco, founded by the merger of Adia and Acco recruitment agencies, today has offices in 63 countries around the world.

Presence of both public and private employment services in the infrastructure of the labour market promotes competition, expands opportunities for providing employment of the population. At present, the main task of recruitment-related services is not only combating unemployment, but also improving the quality of employment and business competitiveness.

State employment services provide comprehensive assistance to the able-bodied population, which cannot compete equally in the labour market. These services are required to strengthen interaction with social partners in order to pursue an active policy in the state labour market. Today, the need for public-private partnerships is becoming increasingly represented in the field of public administration, institutional and structural reforms, improvement of social protection system and healthcare, increasing socio-political activity of women, especially in rural areas.

A feature of public-private partnership at the present stage of development of global economy is the abundance of various forms. Factors contributing to the state's entering into partnership with private investors are the following:

a) inability to meet the growing need for investment only at the expense of the state budget;

b) low efficiency of spending allocated state funds.

In this regard, great hopes are placed on the newly created Agency for Development of Public-Private Partnership under the Ministry of Finance of the Republic of Uzbekistan, which in fact has become the basic developer of the draft Law of the Republic of Uzbekistan of May 10, 2019 No. LRU-537 "On Public-Private Partnership" and the project "Programs for development of public-private partnership in the Republic of Uzbekistan", which refers to the employment of qualified labour resources necessary for the execution of obligations under the agreement on public-private partnership.

In Uzbekistan, the functions of providing employment for the able-bodied population are assigned to *district (city) employment promotion centers*, which are also structural divisions of the Ministry of Employment and Labour Relations of the Republic of Karakalpakstan, the main employment departments of the regions and the city of Tashkent.

The main tasks of the district (city) employment promotion centers include:

– interaction with organizations in employment of the population, labour relations, labour protection and labour migration and on other issues within their competence;

– ensuring employment of unemployed who applied to the labour authorities, attracting population to participate in community work, primarily within the framework of large investment projects, construction, repair and reconstruction of road and housing infrastructure, improvement of cities and districts, seasonal agricultural activities;

– monitoring and control over compliance with legislative acts, normative documents;

– financing the state order for labour-related services, training and advanced training, qualification assessment;

– formation of proposals for creation and financing of the content of co-working centers;

– support of legal entities engaged in provision of services in employment of the population.

District (city) centers for promotion of employment of the population in accordance with the main tasks assigned to them carry out the following actions:

– organizational and information-analytical support for activities of district (city) employment promotion centers and their management;

– control over the implementation of laws of the Republic of Uzbekistan, resolutions of the chambers of the Oliy Majlis of the Republic of Uzbekistan, decrees, resolutions and orders of the President of the Republic of Uzbekistan, resolutions and orders of the Cabinet of Ministers of the Republic of Uzbekistan and orders of the Ministry;

– qualitative and timely development of documents introduced by district (city) centers for promotion of employment of the population in khokimiyats of districts (cities), conducting their economic, financial and legal expertise;

– employment of unemployed who applied to the labour authorities;

– assistance to citizens in selection of suitable work, and to enterprises, institutions, organizations and other employers in selection of necessary employees;

– consultation of citizens and employers who applied to the labour authorities on job opportunities and job security, requirements for employees and other issues related to employment;

– conclusion of contracts with education institutions, enterprises, institutions and organizations on professional training, retraining and advanced training of unemployed citizens;

– registration of unemployed and assistance to them, including the appointment and payment of benefits;

– assessment of the state and prospects of the labour market, the organization, its monitoring and dissemination of relevant information;

– registration of citizens who applied in search of work, as well as vacancies in the relevant territory;

– development and implementation of employment programs;

– monitoring the implementation of job creation and employment programs based on information provided by enterprises, institutions and organizations included in these programs, as well as data from state statistics agencies;

– referral of citizens who applied to labour agencies to enterprises, institutions and organizations for employment in accordance with their professional training and qualification level, if they have vacancies;

– development and submission to the local government authorities of proposals on establishment for enterprises, institutions and organizations of a minimum number of jobs for reception of persons in need of social protection, as well as direction of these citizens to enterprises, institutions and organizations for employment;

– conclusion of agreements with citizens, on behalf of enterprises, institutions and organizations under their power of attorney, on employment with preliminary (if necessary) professional training, retraining and advanced training, payment of travel expenses, daily expenses, as well as issuance of benefits when leaving for a new place of residence and work at the expense of relevant enterprises, institutions and organizations;

– referral of the unemployed to their desire for paid community work in the prescribed manner;

– disposal by means of the State Employment Promotion Fund of the Republic of Uzbekistan in the prescribed manner;

– appointment of citizens of unemployment benefits in the prescribed manner;

– control over compliance with the requirements of legislation in the field of labour, employment, measures on improving labour relations, mechanisms for material incentives and labour protection;

– interaction with legal entities engaged in provision of services in the field of employment of the population;

– financing of the state order for employment services, training and advanced training, qualification assessment with subsequent payment to private employment agencies, respectively, centers for training unemployed population, and qualification assessment centers;

– formation of proposals for creation and financing of the content of coworking centers;

– monitoring the implementation of state employment programs;

– work with appeals of individuals and legal entities;

– making decisions on operational, organizational, personnel, financial, production, economic and other issues falling within the competence of the district (city) employment promotion centers.

Private employment agencies have been operating in Uzbekistan for several years. However, the legal framework of their activities, in particular, cooperation with government agencies did not exist. Therefore, in 2018, the Law "On Private Employment Agencies" was adopted. The model law "On Activities of Private Employment Agencies", adopted at the 35th plenary session of the Interparliamentary Assembly of the CIS member states, was adopted as a basis, which was aimed at legal regulation of activities of private employment agencies, i.e., non-governmental organizations providing employment services, as well as assistance to applicants in employment and other services in the labour market.

Private employment agencies are granted the right to render services in employment of citizens on the basis of a license issued by the Ministry of Employment and Labour Relations of the Republic of Uzbekistan. Recently, in foreign countries a great experience has been accumulated on the legal regulation of private employment agencies. These include laws such as Employment Agencies Act (1958) in Singapore, Employment Agencies Act (1973) in the United Kingdom, Employment Agencies Act (1976) in Australia, Private Employment Agencies Act (1981) in Malaysia, Private Employment Agencies Act (1990) in Canada. The Interparliamentary Assembly of Member Nations of the Commonwealth of Independent States also adopted a model law "On the activities of private employment agencies".

Establishment of private employment agencies contributes to creation of new employment opportunities, creates a competitive environment, improves the quality of service. This is beneficial for both employers and job seekers. At the same time, agencies perform the function of preventing illegal labour migration, since they have the right to employ citizens of the country abroad. This contributes to solving the problem of human trafficking.

Partnership of public and private structures in employment of the population is reflected in the activities of regional employment agencies for citizens abroad. These regional offices are state enterprises of the Ministry of Employment and Labour Relations. However, at present they legally cooperate closely with private employment agencies.

11.5. The process of urbanization as a factor of effective employment and population welfare growth

Currently, the level of urbanization is an important indicator of development of the economy and the country as a whole. According to the World Bank, *urbanization* (from lat. *urbanus* – urban) is a process of increasing the role of cities, urban culture and urban relations in development of society, increasing the urban population compared to rural and broadcasting higher cultural samples that have emerged in the cities, outside the cities.

The process of urbanization occurs in the form of:

- transformation of rural settlements into urban ones;
- formation of broad suburban areas;
- migration from rural to urban area.

Historically, the process of urbanization is associated with economic and social factors. People in search of a better life move from the village to the city, where most of the national economy is concentrated. There is a higher level of literacy and education, great opportunities to use transport and social services, employment options.

At the same time, industrial production is developing more intensively in urban areas, which concentrate the economic, financial and engineering infrastructures, as well as human resources in a limited territory compared to rural areas. Cities are also an effective distribution construction for productive powers and resources.

The larger the size of the city, the more preferable is the choice of jobs for the able-bodied population, and this does not require the need for changing their place of residence. At the same time, for each workplace there is a wide choice of candidates with a different set of professional competencies. As a result, employees have more opportunities to get a job that meets their professional level. In addition, under such conditions, a higher level of specialization and division of labour is ensured, which contributes to an increase in labour productivity.

According to the estimates of the Organisation for Economic Co-operation and Development, a doubling of the city's population leads to an increase in productivity by 2-5%[1]. Scientific studies have confirmed that increasing the level of urbanization by 1% ensured the growth of gross domestic product per capita in China by 10%, in India by 13%.

International experience shows that the growth of urbanization has a direct connection with the growth of industrialization, as well as with population incomes. The higher the percentage of urban residents, the higher economic growth and incomes of the population. Most countries with incomes above 20 thousand USD per capita are urbanized by more than 60%, while countries with incomes less than 10 thousand USD – less than 50% (table 11.2).

The ranking of countries of the world in terms of urbanization is a comparative analysis of statistical data on the proportion of urban population in the total

[1] q.v..: OECD, 2015, Governing the City, Organisation for Economic Co-Operation and Development.

population of countries and territories of the world, which is produced by the United Nations Department of Economic and Social Affairs. *The level of urbanization* is understood as the proportion of the urban population in the total population. In the present ranking, this indicator is calculated as the percentage of the population of a country living in areas that are classified as cities in accordance with the criteria used in the country.

Table 11.2

Countries by rate of urbanization

Rank	Country	Urbanization rate, % percentage of the urban population to the total population of the country	Gross national income per capita, USD
1	Hong Kong	100,0	46 193
2	Kuwait	100,0	29 040
3	Monaco	100,0	–
4	Nauru	100,0	–
5	Singapore	100,0	57 714
6	Qatar	99,1	63 249
7	Belgium	98,0	43 323
8	San Marino	97,1	48 888
9	Uruguay	95,2	16 245
10	Malta	94,5	26 903
103	Kazakhstan	57,3	9 030
123	Turkmenistan	51,2	6 586
126	Uzbekistan	50,6	1 533
153	Kyrgyzstan	36,1	1219
171	Tajikistan	27,0	801

The turning point in urbanization occurred in 2007, when, according to the UN, there were more urban residents than rural residents in the world. In 2014, the townspeople were already 54% (approximately 3.9 billion people).

Today, one fifth of the world's population lives in 600 largest cities of the world, accounting for 50% of global GDP. By 2025, a quarter of the world's population will live in these cities, which will produce more than 60% global GDP[1].

However, by 2050, 66% of all people in the world will already live in urban agglomerations (100 years before, 70% of the population lived outside cities).

Urbanization is the process of increasing the role of cities, the spread of urban lifestyles and urban culture in society, migration of people from rural to urban areas, transformation of rural settlements into urban ones. The main prerequisites for urbanization are development of trade, science and technology, concentration in the cities of enterprises in the sphere of production and provision of services, growth of industry in the cities, as well as unemployment in rural areas.

So, according to the World Bank, by 2050, two-thirds of the world's people will live in cities. According to statistics, today 50.6% of the population lives in the cities of Uzbekistan with the probability of a decrease in this indicator of the level of urbanization in the future. In the rating of countries of the world in terms of the level of urbanization, which is issued by the United Nations Department of Economic and Social Affairs, Uzbekistan ranks 147th among 218 countries of the world.

The process of urbanization in developing countries plays an important role. For all its complexity and soreness (rapid concentration in the cities of the rural population unprepared for urban labour, limited material resources, etc.), it contributes to formation of the modern economy, overcoming backwardness and multidiscipline, national consolidation, development of socio-political structure of society.

Taking into account the socio-economic significance of the urbanization process, on January 10, 2019, the Decree of the President of the Republic of Uzbekistan "On measures for radical improvement of urbanization process" was adopted, which determines the main directions of development of the urbanization process in the country.

In general, according to UN estimates, by 2030 the proportion of urban population in the world will reach 60.4% compared to 55.3% in 2018. Relatively high rates of urban population growth will be observed in developing countries, where rapid growth of urbanization will be mainly due to migration of the population from the village to the city, a natural increase in the urban population.

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[1] Urban world: Mapping the economic power of cities. McKinsey Global Institute Report.

Recently, increasing the level of urbanization is important for Uzbekistan. As noted by the President of the Republic of Uzbekistan Shavkat Mirziyoyev, today the level of urbanization in the country is 35.5%, and if not to take measures today, then the probability of a decline in this indicator occurs[1].

Over the years of independence, changes in the process of urbanization are also noticeable in Uzbekistan. In the period from 2005 to 2009, an inventory of rural settlements with a population of at least 2 thousand people was carried out in the country and decisions were made to give them the status of urban settlements in accordance with the current legislation and UN standards on population issues. As a result, 965 large rural settlements were given the status of urban villages, due to which the urban population of Uzbekistan grew by 4.4 million people. In general, the proportion of the urban population increased from 40.3% in 1991 to 50.6% in 2018.

However, a number of problems appeared in the country in the process of urbanization. Over the past 10 years (2009-2018), there has been a trend towards a decrease in the level of urbanization in 10 regions. The level of urbanization in Khorezm, Surkhandarya, Bukhara and Samarkand regions remains quite low.

The country's urban network is based on small cities (68.1% of the total number of cities), which account for 20.5% of the total urban population. A characteristic feature of development of cities is also that almost a quarter of the urban population (24.2%) lives in Tashkent, the capital of the country.

Despite the measures taken to transform large rural settlements into the category of urban settlements, the current level of urbanization in Uzbekistan does not meet the modern requirements of the integrated development of cities and lags far behind global trends. At the same time, the level of urbanization has not yet become sustainable. As world practice shows, development of small industries in rural areas will not be able to ensure high rates in industrial-innovative development. At the same time, economic growth by 80% is formed in cities.

Within the framework of the ongoing structural reforms, along with implementation of large strategic investment projects, the urbanization process has not been taken into account at the proper level as a factor contributing to sustainable development and increasing the wellbeing of urban population. Therefore, in order to ensure effective state regulation of the urbanization process, a Decree of the President of the Republic of Uzbekistan of January 10, 2019 No. DP-5623 "On measures for radical improvement of urbanization process" was adopted. In this document, the main directions of the fundamental improvement of the urbanization process in the country are as follows:

[1] Address of the President of the Republic of Uzbekistan Shavkat Mirziyoyev to the Oliy Majlis // UzA. – 2018 – December 28.

– activation of the urbanization process based on implementation of a fundamentally new housing policy, providing for special measures of supporting investment in construction of residential buildings with provision of engineering, transport and social infrastructure, including those available for families with low and medium incomes, using mortgage lending mechanisms and attracting financial resources of business entities;

– guaranteeing the implementation of the right to ownership of land for individuals and legal entities under residential, non-residential buildings and structures, creation of conditions for the introduction of land plots into civilian circulation;

– creating conditions for free movement of people from rural to urban areas by improving the system of administrative regulation of the migration process;

– ensuring improvement of welfare of the population of large cities, promoting provision of full and productive employment of their population, taking into account the expansion of access to economic and production resources, as well as creation and strengthening the system of technoparks based on regional higher education institutions and research institutes;

– widespread introduction of progressive international experience in managing middle cities, including district centers, taking into account the use of advantages of agglomerations as a factor in growth of incomes of the population and formation of stationary workplaces, primarily in the fields of industry and services;

– expansion of the network of satellite cities adjacent to large cities with convenient transport links, expansion of territories of public business zones in the central part of large cities with a decrease in the areas of production and other zones.

In the UN Report on World Urbanization Prospects, it is noted that by 2020, middle-income countries will become urbanized by 53.7%, by 2030 –59%, and by 2050 – 68.3%. At the same time, projected indicators for countries with a higher than average income level is much higher. By 2020, urbanization will amount to 68.2%, by 2030 – 75%, and by 2050 – 82.6%. If by 2030 Uzbekistan reaches the same level of urbanization as a middle-income country, then its urban population will amount to 34.44 million, i.e. it will increase by 17.67 million. This is equivalent to an average annual growth of 1.47 million urban residents, or 283,173 households annually. If by 2030 Uzbekistan succeeds in reaching the level of urbanization in countries with an access level higher than the average, then its urban population is likely to reach 36.06 million people, or 19.29 million people more than present.

In recent years, the volume of housing construction in Uzbekistan has sharply increased: compared to 2007 – 20 times, in 2010, when the implementation of the housing construction program for standard projects was launched – 3.5 times, and in relation to 2014 – 2 times. Only in 2018, within the framework of implementation of the "Prosperous Village" ("Obod qishloq") and "Prosperous Neighbourhood" ("Obod makhalla") programs, 3 trillion soums were spent on construction and improvement of the city. As a result, 416 villages acquired a new look.

Creation of new free economic and industrial zones in Uzbekistan, stimulation of exports, measures on attracting foreign investment and eliminating barriers to entrepreneurship, high rates of housing construction in rural areas, including on the "Prosperous Village" ("Obod qishloq") program, as well as initiatives on achieving the status of a middle-income country, will undoubtedly strengthen urbanization trends.

According to experts, in order to create a multiplicative effect in small and private entrepreneurship and simultaneous decision of the problem of unemployment, an important direction of urbanization policy can become strengthening ties in the format of "large cities – medium and small cities". This will not only contribute to solving the country's demographic and migration problems, but will also create conditions for a qualitatively new and geographically balanced economic growth[1].

Uzbekistan has a high level of demographic potential indicator of youth. Thus, decrees of the President in this area of activity are of historical importance and are ultimately aimed at ensuring the wellbeing of the population of the country, developing the economy and further enhancing the protection of the rights and the priority role of private property, as well as actively attracting foreign investment.

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[1] q.v.: Urbanization in Central Asia: challenges, issues, and prospects. – Tashkent: Center for Economic Research, 2013.

CHAPTER XII.

UNEMPLOYMENT: ITS CAUSES AND FEATURES

12.1. THE CONCEPT OF UNEMPLOYMENT AND ITS CAUSES

Unemployment is a macroeconomic problem that has the most direct and strong impact on each person. Loss of work for most people means lower living standards and carries serious psychological trauma. It is therefore not surprising that the problem of unemployment is often the subject of political debate. Many politicians use the so-called poverty index, which is the sum of unemployment and inflation, for assessing the state of the economy or the success of economic policies.

Unemployment is socio-economic situation of a certain part of the population not engaged in production of goods and provision of services to the economically active, able-bodied and willing to work. According to the position of the International Labour Organization, an *unemployed* person is a jobless person, willing to work, looking for work[1]. Under the current legislation of the Republic of Uzbekistan, the *unemployed* are able-bodied persons at the age of sixteen before they acquire the right to pension provision, who do not have paid work or income-generating activities, looking for a job and ready to start it as soon as it is offered to them or pass vocational training, retraining or advanced training (with the exception of students in education institutions).

According to the President of the Republic of Uzbekistan, we need to take urgent measures for ensuring employment of the population and reducing unemployment. Therefore, questions arise, what is the real number of unemployed in our country, what percentage of the population is employed in the informal sector, how many of our compatriots have left for abroad in search of work? We should understand that *one unemployed is ten problems. If to try to assess the potential damage to the family, makhalla, society, you will see how acute this issue is*[2].

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[1] Decision of the 13th International Conference of Labour Statisticians. – URL: http://www/ilo.org

[2] Mirziyoyev Sh.M. Comprehensively developed generation is the basis of a great future, creative work of people is the basis of a prosperous life, friendship and cooperation are a guarantee of prosperity: a report by President Shavkat Mirziyoyev at the solemn meeting dedicated to the 26th anniversary of the adoption of the Constitution of the Republic of Uzbekistan. 08.12.2018.

Persons who applied to local labour authorities for employment assistance and registered as job seekers are considered unemployed[1].

Among economists there is no equal point of view on the causes of unemployment. Therefore, we can identify the following main reasons:

– excess growth of population (in general, the global economy is labour-intensive, and the rapid population growth contributes to this);

– establishing wage rates above the equilibrium level under the pressure of trade union actions and socio-economic activity of the population;

– replacement of labour by capital in the era of scientific and technical revolution;

– presence of monopsony in the labour market (monopsonist enterprises dictate the terms of remuneration and underestimate the volume of employment);

– low effective demand (lack of demand for goods and services reduces the demand for labour, since the demand for labour is derivative, and as a result unemployment occurs).

According to representatives of the classical economic school (D. Ricardo, J.S. Mill, A. Marshall and others), competition in the labour market excludes involuntary unemployment. According to them, everyone who wants to work for wages in a particular labour market can easily find a job.

Theorists of the neoclassical school (J. Perry, M. Feldstein, R. Hall and others) believed that if there is a balance in the labour market, i.e., the supply and demand of labour will be equal, then there will be no unemployment.

Keynesians (J.M. Keynes, R. Gordon and others) argued that the main cause of unemployment is the lack of effective demand. An integral part of this effective demand, on the one hand, is the demand for personal goods, on the other – the demand for investment goods (means of production). According to J. Keynes, the volume of employment in a country depends on the level of effective demand of people for goods and services[2].

Monetarists (M. Friedman, F. Keigen, D. Meiselman, K. Brunner, A. Meltzer and others) believed that employment is only associated with unexpected inflation, since it changes the natural rate of unemployment. The conclusion of M. Friedman on the existence of a natural level of unemployment is of important methodological significance. This level is strictly limited by the conditions of the labour market and cannot be changed by state policy. If the government wants to change the natural rate of unemployment by increasing the demand by traditional (budget and credit

[1] Law of the Republic of Uzbekistan "On Employment of the Population" (new edition) // Collection of legislation of the Republic of Uzbekistan. – 2006. – No. 25-26. – P. 225; 2009. – No. 52. – P. 553; 2013. – No. 41. – P. 543; 2014. – No. 4. – P. 45.

[2] Keynes J.M. The General Theory of Employment, Interest, and Money. – M., 1978. – P. 252.

methods), then these measures will bring short-term results and will only lead to price increase.

In the Institutional Economics Theory (T. Veblen, J. Galbraith, J. Commons and others) the labour market is considered as a sector of a market economy. T. Veblen, analyzing the history of the labour market development, determined that with development of an industrial society, the center of competition shifts from the struggle for prices of goods and services to the struggle for prices and working conditions[1]. Supporters of this direction believed that the state should implement policies on the labour market through the institutions operating in it. J. Galbraith noted that the state is interested in a high level of employment, since it increases the revenue side of the budget and provides an increase in the wealth of the country[2].

Based on the analysis of the views of representatives of the institutional school, a conclusion can be made about their point of view on the problem of labour market regulation. It is expressed in the fact that in order to establish a social order that represents an opportunity for a person to freely master profession and improve the skills, the socio-economic policy must ensure the following conditions:

– creation of equal opportunities for people to learn their chosen profession in accordance with their abilities;

– labour incentives should be at the level of ensuring a decent life for the employee and his family;

– creation of equal opportunities for inclusion in the labour process, professional development, career growth;

– regulation of labour relations between the employee and the employer.

The foresaid shows the consequences of the excess of labour power of demand for it. However, the labour market only reflects the ratio of demand and supply of labour resources at a certain time. The labour resources organizing this ratio are formed outside the labour market (in tangible and intangible production production, circulation). This is reflected in the structure of unemployment (fig. 12.1).

Dependence of unemployment on wages is of particular importance in the regulation of the labour market in conditions of market relations. This is clearly seen in the so-called Phillips curve. The dependence of unemployment on wages was justified by Alban William Phillips who was born in New Zealand and had been conducting scientific research in England for a long time.

If we assume that there is a similar ratio between the rates of changes in wages and prices, then there are two positions in the Phillips curve model: with a high rate of economic growth, employment will be high, while a high unemployment rate will exist with rapid price increase or stabilization of employment.

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[1] q.v.: Veblen T. The Theory of the Leisure Class. – M.: Progress, 1984. – P. 56.

[2] q.v.: Galbraith J. Economic theory and goals of society. – M.: Science. 1979. – P. 406.

According to the Phillips curve, there is an inverse relationship between the dynamics of unemployment rate u and the inflation rate π. As can be seen from fig. 12.2, at point A, a high level of unemployment u_A corresponds to a low inflation rate of π_A. Point B, on the contrary, is characterized by low unemployment u_B combined with a high inflation rate π_B.

From this we can conclude that the task of the stabilization policy comes down to finding the correct point on the Phillips curve. However, it demonstrates the impossibility of achieving an optimal state, which is characterized by low inflation and low unemployment.

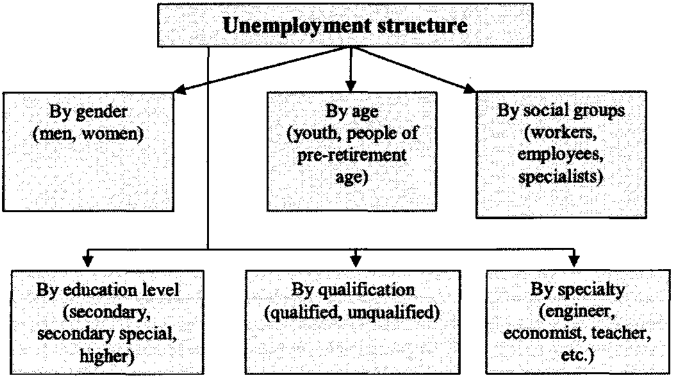


Fig. 12.1. Unemployment structure

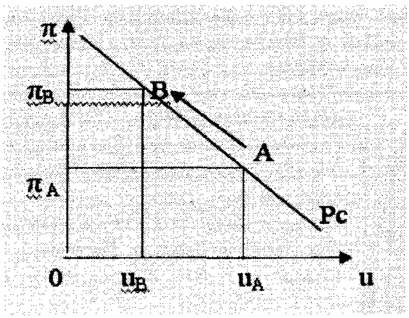


Fig. 12.2. Phillips Curve

The connection between the movement along the Phillips curve and the movement of the aggregate demand curve AD along the aggregate supply curve AS in the model aggregate demand – aggregate supply is obvious (fig. 12.3).

When aggregate demand grows from AD to AD_1, the equilibrium moves from point A to point B (Fig. 12.3, A), which is accompanied by an increase in the price level ($P_B>P_A$), an increase in the equilibrium level of real GDP ($Q_B>Q_A$) and accordingly a decrease in unemployment rate ($u_B<u_A$) (Fig. 12.3, B).

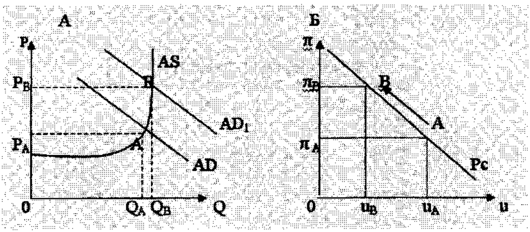
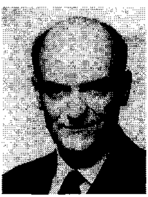


Fig. 12.3. Aggregate demand model – aggregate Phillips curve supply

However, in the 70s of the 20th century, there have been events that denied the statement that it is impossible to simultaneously increase the rate of inflation and the level of unemployment. The Organization of the Petroleum Exporting Countries (OPEC) has caused a significant increase in oil prices, which has resulted in stagflation: a decline in production (hence, an increase in unemployment), accompanied by accelerated inflation. Fig.12.4 shows how, as a result of such a negative supply shock, the aggregate supply curve shifts to the left and up (Fig. 12.4, A). The Phillips curve (Fig. 12.4, B) is shifted to the right, which means an increase in the rate of inflation for any level of unemployment.



Alban William Phillips (1914–1975) was a well-known economist born in New Zealand who has been conducting scientific research in England for a long time.
Main works:
Dynamic Models in Economics (1953).
The Relation Between Unemployment and the Rate of Change of Money Wage Rates in the United Kingdom (1861–1957, 1958).
Employment, Inflation and Growth: An Inaugural Lecture (1962)

Modern Phillips curve states that the inflation rate, the change in the price level from the previous period, depends on three factors:

1) expected inflation;
2) cyclical unemployment;
3) shock changes in the proposal.

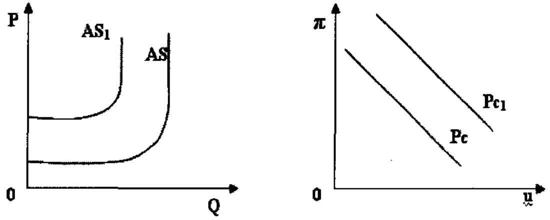


Fig. 12.4. Phillips Curve as a model of supply shock

The Nobel Prize winner C.A. Pissarides in his work Equilibrium Unemployment Theory solves the dynamic problem of adapting the labour market to equilibrium and for the first time explicitly models, at a macroeconomic level, the process of creating jobs (vacancies) by firms and also uses a generalized rule for solving the problem of determining the wage rate in the process of bargaining between firms and employees, which takes into account the bargaining power of the parties.

The basic idea is that with an increase in the number of vacancies created, the unemployment rate falls, and the competition between firms for new employees grows, which reduces the chances of firms to fill vacant positions. Moreover, it is easier for the unemployed to find a job, so they become more demanding of wages. Firms will accept wage increases when hiring new employees as long as it is profitable for them.

C.A. Pissarides came to the conclusion that if the wage level is socially effective, then the unemployed will begin to actively seek employment, as a result of which competition will increase in the labour market, and employers will be able to hire workers with higher levels of knowledge and qualifications that ultimately ensure the growth of production.

The following types of unemployment are distinguished (Fig. 12.5).

1. *Frictional unemployment* (it is called voluntary) is associated with a change in the labour supply. In a market economy, the able-bodied population is guaranteed the right to choose the type and place of labour activity. Therefore, some of them voluntarily change jobs, others because of dismissal from work are looking for a new place. Individuals are deprived of temporary or seasonal work, and young people are entering the labour market for the first time. Some of these unemployed are finding jobs, others will continue to look for work. At the same time, due to the above causes, there will be dismissals of some workers. This will become the result of the inability of the labour market to ensure the conformity of able-bodied and persons willing to work and jobs.

Frictional unemployment is considered inevitable and should be, since with this type of unemployment, the dismissal of workers occurs voluntarily. In this case, for the most part, they move from a workplace with low pay to other places with high pay.

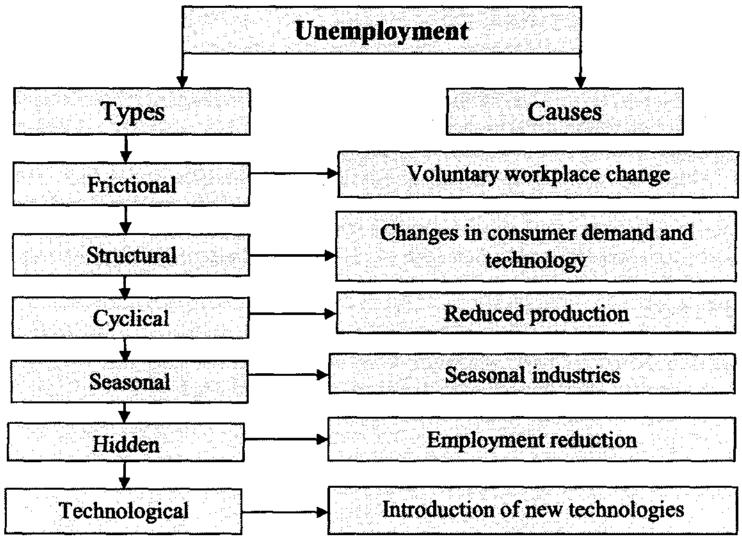


Fig. 12.5. Types of unemployment and their causes

2. *Structural unemployment* is associated with technological changes in production, which transform the structure of demand for labour power (arises in the event if an employee who is dismissed from one industry cannot find a job in another). Over time, important changes are taking place in the structure of consumer demand and production technology, which in turn changes the structure of total demand for labour power. If the demand for workers in a given profession or in a given region falls, then unemployment appears. Released workers cannot quickly change their profession and qualifications or change their place of residence, so they remain unemployed for some time.

3. *Cyclical unemployment* occurs in a period of cyclical economic downturn and lack of demand. It is associated with fluctuations in business activity (economic cycle) and the fall in aggregate demand for manufactured products. This causes a drop in the aggregate demand for labour in the context of inflexibility of real wages to the downside.

4. *Seasonal unemployment* is due to seasonal fluctuations in the volume of production of certain industries. It is similar to cyclical unemployment, as it also causes fluctuations in the demand for labour. However, in this case, these fluctuations can be predicted with a sufficiently high accuracy. In industries with seasonal demand, firms prefer to lay off workers rather than lower wages for the same reasons as in the case of cyclical fluctuations. Employees agree to work in such industries, because for some of them the existence of unemployment insurance benefits, as well as the knowledge that over time, after the end of the low demand season, they will again be hired to work, allows them to consider such periods, as paid vacation. Other workers, knowing that they will be unemployed for part of the year, demand higher wages, which will provide them with a certain level of income in the "dead" season.

5. *Forced unemployment* occurs when the employee can and wants to work at a given level of wages, but does not find work. The number of applicants for a limited number of jobs increases, and the likelihood of real employment decreases, which increases unemployment.

6. *Technological unemployment* is the loss of jobs caused by technological change. Such changes usually include the introduction of labour-saving machines or more efficient production process.

When classifying unemployment, it is necessary to note the existence of the concept of "*forced unemployment*". In cases where unemployment exceeds the natural level, it becomes forced. The emergence of forced unemployment suggests that the economy cannot provide everyone who wants to work with the required jobs. Excess supply of labour power becomes sustainable, and the labour market is out of equilibrium. Forced unemployment is unemployment in conditions of incomplete use of labour resources. In contrast to natural unemployment, it means an absolute reduction in labour power demand.

Forced unemployment has a negative impact on the economy, causing severe economic and social consequences. It leads to a reduction in tax revenues to the budget, as it is associated with a reduction in production volumes and a decrease in the tax base. With increasing unemployment, the efficiency of labour of employed workers decreases, which, in conditions of reduced demand for labour power, has to accept any kind of work, which often does not give them the opportunity to fully realize their knowledge and skills.

Forced unemployment undermines the living standards of the population, increases inequality in income distribution. It reduces consumer demand, forcing people to be content with a minimum of goods and services. This strengthens the macroeconomic instability of the aggregate market. Equally serious are the social consequences of forced unemployment. Long-term forced unemployment does not only reduce the quality of labour, but often becomes the main cause of personal degradation. It is not by chance that during the crisis state of the economy, the number of people descending, who have lost not only their work, but also their home, family, and hope to return to a normal state, sharply increases.

In the economic literature, along with involuntary unemployment, there are the concepts of "voluntary unemployment" or "natural unemployment rate". According to C.R. McConnell and S.L. Brue, *the natural rate of unemployment* is a situation in which the economy uses all suitable productive resources, ensuring the employment of all who want and are able to work[1]. In modern literature, this type of unemployment is called Non-Accelerating-Inflation Rate of Unemployment – NAIRU.

The natural rate of unemployment in the economy means ensuring the supply and demand of labour power, a stable level of wages, as well as a constant state of prices with zero growth in labour productivity. In developed countries, the natural rate of unemployment is 4-5%. This unemployment rate is usually considered as full employment. However, it may change. These indicators are affected by:

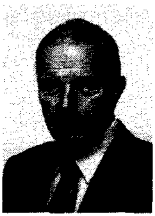
– social policy of the state (increase in the size and duration of unemployment benefit payments, during which people are not interested in finding a job);

– changing the demographic structure of the labour power (increasing the share of women and youth in the labour market).

The American economist E. Phelps formulated the hypothesis of the natural rate of unemployment. The essence of this hypothesis is that each economy is characterized by a natural, or equilibrium level of employment, in which the expectations of individuals associated with changes in wages and prices fully correspond with the real level of these changes. Any attempt by the government to reduce the unemploy-

[1] q.v.: McConnell C.R., Brue S.L. Economics: Principles, Problems, and Policies. – M.: Republic, 1992. – T. 1. – P. 158-159.

ment rate below this equilibrium value with the help of expansionary fiscal and monetary policies leads to expectations associated with higher wages and prices. This, in turn, provokes inflationary behavior. This process stops in the event that unemployment again reaches a natural level, but already with a higher level of inflation.



Edmund S. Phelps was born in 1933. He is famous American economist, Nobel Prize Winner in Economics of 2016.
Works:
Microeconomic Foundations of Employment and Inflation Theory (1970).
Studies in Microeconomic Theory (1979–1980).
Political Economy: An Introductory Text (1985).
Seven Schools of Macroeconomic Thought (1990)

The scientist believed that the natural rate of unemployment is determined by short-term circumstances and the following factors:

- labour power supply in the labour market;
- expenses for job search;
- transparency of information on the labour market;
- level of unemployment benefits, etc.

E. Phelps used the indicator of expected inflation to determine the level of unemployment. This formulation of the issue allowed to speak about the mechanism of interdependence of the main macroeconomic indicators in the conditions of a high degree of using production factors. The essence of this mechanism lies in the fact that there is a natural level of unemployment, at which the actual level of inflation is equal to the equilibrium, therefore the expected level of inflation does not change. If the monetary authorities try to reduce unemployment below the natural level, then for firms and workers the fact of such a decline would mean an expectation of an increase in inflation in the future. They will revise their estimates of rising prices. If the authorities try to reduce unemployment even more, the wage – price spiral will appear. The system will be able to return to the stationary equilibrium only if the actual level of inflation is equal to the expected level.

The concept of the natural unemployment rate of E. Phelps was due to the fact that it fell on fertile soil. In the early 1970s, stagflation began to be observed in the United States economy, a situation where inflation and unemployment began to gain momentum at the same time.

The expansionary fiscal policy of the United States government led to the fact that the amount of money in circulation in 1970-1972 grew by about 13% per year.

Inflation was high, expected inflation was close to real, and the unemployment rate returned to 5-6%. By mid-1973, the public was convinced that E. Phelps is right: there is no inverse relationship (as well as the possibility of a compromise) between inflation and unemployment in the long-term period.

Determination of the natural level of unemployment became a well-known discovery by E. Phelps, a few decades ago it was included in the textbooks, it is widely used by specialists responsible for monetary policy and included in analytical models of central banks around the world.

12.3. Unemployment rates and methods of determining them

Unemployment rate is the main indicator that gives an idea of the state of the labour market at the moment and past changes over a certain period of time. The unemployment rate is determined based on employment and unemployment data. Unemployment rate Ur – the proportion of the unemployed in the economically active population Ea. This level is determined by the formula:

$$Уб = \frac{Эа - З}{Эа} \times 100$$

The socio-economic efficiency of using labour potential largely depends on the level of unemployment. It is interpreted in foreign textbooks of economics in various ways. For example, in Japanese statistics, the unemployment rate Ur is determined by two methods:

Ur = *Number of unemployed / (Employed + Unemployed).*

With this approach, the main disadvantage is that when determining the unemployment rate, it is not the number of unemployed that is used, but the employed workers:

Ur = *Number of unemployed / (Employed + Unemployed).*

The *main indicators of unemployment* include the following:

a) the registered unemployment rate Rur:

$$Rur = Rnu / Eap \cdot 100 = Rnu / (Nu + Rur);$$

b) the total unemployment rate Tur:

$$Tur = Ntu / Eap = Ntu / (Nu + Ntu);$$

c) the level of full unemployment Lfu:

$$Lfu = Nup / Eap \cdot 100,$$

where Rnu – the registered number of unemployed;
Eap – the number of economically active population;
Nu – the number of unemployed;
Gu – the level of general unemployment;
Ntu – the number of total unemployed;
Eap – the number of economically active population;
Lfu – the level of full unemployment;
Nup – the number of conditionally unoccupied population.

The number of conditionally unoccupied population is determined by the formula:

$$Nup = (\Sigma ig - \Sigma pf) / Wt,$$

where Σig is the total aggregate working-time fund (man-hours, man-days) of the economically active population during the period of the study;
Σpf – the cumulative fund of practically worked hours;
Wt – working time (hours, days) of one employee during the study.

Duration of unemployment (month) is the period of time during which a person is looking for a job (from the moment of search for work begins until the time of employment or until the period in under consideration), using any means. It is established based on data from a population employment survey.

The tension coefficient in the labour market Tc shows how many registered unemployed Rnu accounts for one declared job vacancy.

$$Tc = Rnu / \Sigma Afw,$$

where ΣAfw is the aggregate of free workplaces for a given period.

At any level of unemployment there is always a certain minimum of unfilled jobs – either they are completely unattractive, or it is caused by the presence of frictional unemployment. The situation is similar when even with a very large number of vacancies, there will always be people who are currently looking for a job. The relationship between unemployment and the number of vacancies prevailing in the economy is characterized by the Beveridge curve (fig. 12.6).

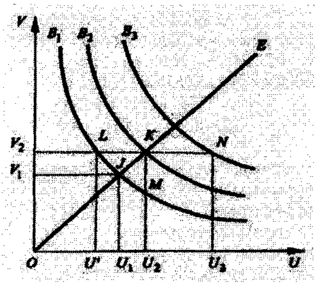


Fig. 12.6. Beveridge Curve

In fig. 12.6, the bisector of angle 0 is a set of points that are characterized by equality between the number of unemployed U and the number of vacancies V. Therefore, all points on the bisector correspond to full employment (unemployment is at a natural level and includes only frictional and structural unemployment). The model shows that even in the state of full employment there is some unemployment – natural unemployment (or unemployment at full employment), while its value increases in the process of removal from the beginning of coordinates.

William Henry Beveridge, 1st Baron Beveridge (1879-1963) was well-known English economist, Director of the London School of Economics and Political Science (1919-1937), President of the Royal Statistical Society (1941-1943).
Works:
Unemployment: A problem of industry (1909).
Prices and Wages in England from the Twelfth to the Nineteenth Century (1939).
Full Employment in a Free Society (1944).
The Economics of Full Employment (1944)

Bisector corresponds to full employment: $SV = SU$, i.e., actual unemployment is at a natural level. All points above the bisectors mean that the volume of demand for labour is greater than the volume of labour supply: $SV > SU$. All points below the bisectors show that the supply of labour is greater than the volume of demand: $SV < SU$, i.e. there is cyclical unemployment.

The position of point A on the bisector corresponds to the state of full employment ($V_1 = U_1$) with the unemployment rate U_1 ($V_1 = U_1/L$). However, it is not clear which factors prevail – short-term (causing frictional unemployment) or long-term (contributing to structural unemployment). One can only judge that unemployment in the amount of U_1 is caused by a combination of factors of structural and frictional unemployment.

Arthur Okun, who served as the Chairman of the Council of Economic Advisers during the presidency of John F. Kennedy, defined the relationship between production volume and unemployment rate (fig. 12.7).

The Okun curve reflects the fact that output is determined not only by production technology, but also by the change in the economic activity of people in various phases of functioning of the national economy. The actual or observed unemployment rate is usually not equal to the natural rate. During periods of economic boom, the demand for labour is so high that the number of people leaving production is reduced compared to the norm, and the proportion of unemployed who apply for jobs exceeds the average, resulting in unemployment being below the natural rate. During periods of economic recession, reverse process is observed, and actual unemployment exceeds the natural level.

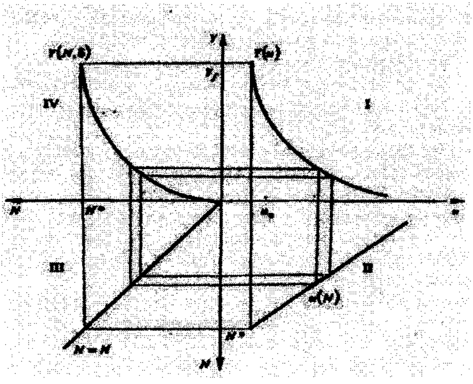


Fig. 12.7. Okun curve

The difference between the actual U and the natural U^* unemployment levels is called the level of *conjuncture unemployment* ($Uk = U - U^*$).

Under full employment conditions, output is equal to Y_0, and the unemployment rate to U_0. If employment declines and unemployment rises, output will also decrease. Based on the foregoing, we conclude that the graph demonstrates the diminishing dependence of the volume of production on the rate of unemployment.

Arthur Melvin Okun (1928–1980) was well-known American economist, Chairman of the Council of Economic Advisers under the President of the United States (1968-1969).
Works:
The Political Economy of Prosperity (1970).
Prices and Quantities: A Macroeconomic Analysis (1981)

According to A. Okun's calculations, in the United States in the 1960s, when the natural rate of unemployment was 4%, the parameter was equal to 3. This means that each percent of conjuncture unemployment reduced the actual GNP by 3% compared to the total GNP employment. The scientist linked this to the fact that when the conjuncture unemployment appears, the following happens:

– not all dismissed are registered as unemployed;
– the part remaining at work is transferred to a shortened working day;
– the average labour productivity decreases due to the presence of hidden unemployment in production.
– The *Okun coefficient* reflects the fact that output is determined not only by production technology, but also by a change in the economic activity of people in various phases of functioning of the national economy.
– In the 80^{th} of the 20^{th} century, Okun coefficient in the United States fell to 2, and the natural rate of unemployment rose to 5.5%. This meant that if the actual unemployment rate was 7.5%, then in this case the volume of output would be 96% of the potential (100 – (7.5 – 5.5).

Inflation and unemployment are serious macroeconomic phenomena that destabilize the economy. The problem is aggravated by the fact that measures on limiting unemployment, for example, stimulate inflation and vice versa. Therefore, the art of economic policy is to find an equilibrium between these two factors of macroeconomic instability.

12.4. Social protection of the unemployed and improving the competitiveness of workers in the labour market

The Labour Code of the Republic of Uzbekistan establishes that persons who have lost their jobs, first-time job seekers, as well as those wishing to resume their labour activity after a long break (more than one year) and recognized as unemployed are provided with:

– payment of unemployment benefits;

– providing material assistance based on the presence of dependents;

– payment of scholarships during the period of professional training, advanced training or retraining and the inclusion of this period in the work experience;

– possibility of participating in paid public works.

Unemployment benefit is assigned to a person recognized as unemployed from the date of his registration with the local labour authority as a job seeker. An unemployed man under the age of thirty-five who has fewer than three dependents is granted unemployment benefit if he participates in paid public works in the manner determined by the government of the Republic of Uzbekistan. The right of an unemployed person to receive benefits comes no later than the eleventh day from the date of registration as a job seeker.

Unemployment benefit is paid no more than:

– twenty-six calendar weeks for a twelve-month period for a person who has lost his job and earnings (labour income) or seeking to resume labour activity after a long (more than one year) break;

– thirteen calendar weeks for a person who has not previously worked and looking for a job for the first time.

During the period of receiving unemployment benefits, the unemployed person is obliged to look for a job and at least once every two weeks to apply to the local labour authority to get a job or professional training, retraining, advanced training.

Payment of unemployment benefits is terminated in the following cases:

– employment of the unemployed;

– refusal of the unemployed of two offers of suitable work;

– refusal of the unemployed man under the age of thirty-five years, with less than three dependents, to take part in paid public work;

– acquiring the right to a pension provision for the unemployed in accordance with the legislation;

– condemnation of the unemployed by the verdict of the court to punishment of arrest or imprisonment;

– employment for temporary work during the period of receiving unemployment benefit without notifying the local labour authority;

– receiving unemployment benefits fraudulently.

According to the current legislation for persons who have lost their jobs and earnings (labour income), *appropriate work* is considered appropriate for their professional training, taking into account age, health status, work experience and experience in the previous specialty, transport accessibility of a new workplace.

Work cannot be considered suitable if:

– it is associated with relocation;

– proposed work is significantly removed from the permanent place of residence and is outside transport accessibility. Transport accessibility (allowable distance) of the place of work is determined by the local government authority, taking into account the development of the public transport network in the area;

– refusal of the proposed work is justified by the existing contradictions for the health of the unemployed, his age and other valid reasons.

Payment of unemployment benefits is suspended in the following cases:

1) referral of the unemployed to vocational training, retraining or advanced training for the period of professional training, retraining or advanced training with the payment of a scholarship;

2) undergoing a course of treatment for an unemployed person in a specialized medical and preventive treatment institution while he is in such an institution;

3) participation of the unemployed in paid public works for the period of participation in these works.

In the event that the unemployed person does not appear in the local labour authority in the established period for disrespectful reasons, the payment of the unemployment benefit can also be suspended for up to three months or the amount of the benefit is reduced.

Upon termination of an employment contract with an employee for separate reasons, they are provided with additional guarantees of material support.

If the employment contract with the employee was terminated due to the refusal to continue working in the new working conditions, changes in technology, organization of production and labour, reduction in the amount of work that resulted in a change in the number (staff) of workers or change in the nature of work, or liquidation of the enterprise, as well as with the inconsistency of work performed due to lack of qualification or health status, he maintains an average monthly salary with a monthly severance pay.

If workers within ten calendar days after the termination of the employment contract were registered in the local labour authority as job seekers, then they are entitled to the average wage for the third month at the same place as the certificate issued by the local authority according to work. Employees who were registered at the local labour authority within ten days after the termination of employment contract and undergo professional retraining or advanced training, with a job separation, are paid a stipend.

If an employer is recognized as insolvent (bankrupt), the employees who are in labour relations with him have the right of prior claim to all other creditors regarding wages and other payments due to them.

In the absence of funds from liquidated enterprises, the payment of compensation to employees is made at the expense of the State Employment Promotion Fund.

12.5. ATTRACTION OF THE UNEMPLOYED TO PUBLIC WORKS

Public works are improvement of settlements, makhallas, cleaning of irrigation channels, irrigation networks, repair of housing and communal services, improvement of infrastructure, repair of roads and streets, housing facilities and the surrounding area, as well as agricultural work.

The Public Works Fund under the Ministry of Employment and Labour Relations of the Republic of Uzbekistan intends to involve unemployed people of Uzbekistan, especially in rural and remote areas of the country, in public works. Unemployed residents of the country will be able to participate in improvement of settlements, makhallas, cleaning irrigation channels, irrigation networks, repair of housing and communal facilities, as well as in agricultural work. Attraction of the unemployed population to paid public works contributes not only to the solution of the issue of citizens' employment, but also to obtaining a certain income and strengthening the family budget. Citizens attracted to public works perform such seasonal work as landscaping and gardening, cleaning irrigation ditches and canal, whitewashing objects, repairing roads, streets, sidewalks. Individuals attracted to public works are exempted from the personal income tax on income earned by them from the funds of the Public Works Fund. At the same time, income in the form of wages of individuals attracted to public works, financed at the expense of the funds of the Public Works Fund, is not subject to taxation by a single social wage.

The importance of social work in harmonization of social and labour relations was emphasized by representatives of economic theory. Famous English demographer T. Malthus in correspondence with the well-known economist J.B. Say in order to create new workplaces and preserve the level of employment, considered it expedient for the state to send part of taxes levied on entrepreneurs on public works, in particular, road construction.

U.S. President Franklin Roosevelt in the 30s of the 20^{th} century, during the Great Depression, effectively used public works. In 1935, on his initiative, an independent Federal Works Agency was created, which became the leading power in employment system for millions of unemployed (mostly unskilled men) during the new economic course. Up to 3.5 million of those whose economic condition was particularly difficult were involved in public works. The Federal Works Agency was allocated 4 billion dollars (69 billion dollars in current prices) based on the amount of annual investment of 1,200 dollars per person (20 700 dollars in accordance with the current price level).

Thomas Robert Malthus (1766–1834) was famous English demographer, economist, founder of the theory.
Works:
Essay on the Principle of Population (1789).
Observations on the Effects of the Corn Laws (1814)

To be eligible for individual participation in public works, the applicant had to be a citizen of the United States at least 18 years old, able-bodied, unemployed, as well as have a certificate of need, confirmed by the local office of the agency. The total number of people employed in public works organized by the Administration of Public Works in the second half of the 1930s – early 1940s, reached 4 million people in the United States. Taking into account family members employed in state jobs, up to 20 million Americans improved their living conditions. They built more than one million kilometers of roads and tens of thousands of bridges, schools, parks, and other infrastructure objects.

In Uzbekistan, in order to support low-income segments of the population in order to implement additional measures to ensure employment of the population on the basis of wide involvement of unemployed persons in paid public works, the Public Works Fund was established under the Ministry of Employment and Labour Relations, which has a Board of Trustees and an Executive Directorate.

Funds of the organization are used to finance:

– remuneration of unemployed and unemployed persons involved in public works;

– acquisition of fixed assets, mini-equipment and inventory intended for use in public works, including by issuing them under a lease;

– acquiring workwear and safety equipment for public works;

– maintenance of the Fund, including remuneration of employees, the cost of maintaining the premises, communications equipment, information and computer technologies, business and other expenses;

– preparation and publication of information materials on the issues of organization of conduction of public works, production of visual information, placement of materials in the media.

Public works are organized in order to:

– provide temporary earnings (labour income) to unemployed persons and provide material support to them during the search for work;

– creating conditions for unemployed persons for temporary employment;

– admission to the labour activity of first-time job seekers and not having a profession (specialty);

– labour rehabilitation of persons with significant interruptions in their professional activities for various reasons (previously engaged in raising children, caring for sick and elderly members of the family, released from penal institutions, etc.);

– provision of labour power for socially significant objects of the economy and social sphere.

Types of public works in the country are presented in fig. 12.8.

Citizens performing public works are paid for work actually performed on the basis of rates and salaries (piece-rates) applicable at enterprises, but not lower than the first category in accordance with the Unified tariff schedule for payment of labour. Employers can establish at their own expense the amount of additional remuneration for labour in public works, except for wages.

Monthly remuneration of participants in public works, which are organized by budget organizations, can be set at a rate not exceeding five times the minimum wage.

Involvement of unoccupied population to public works as an experiment began on October 1, 2017 in one of the districts of Karakalpakstan, in each of the regions of the country and Tashkent. From January 1, 2018, this practice gradually began to operate in all districts and cities of the country.

The Ministry of Finance in 2017 allocated 84 billion soums to the Public Works Fund for organizing and conducting public works, and 714 billion soums in 2018.

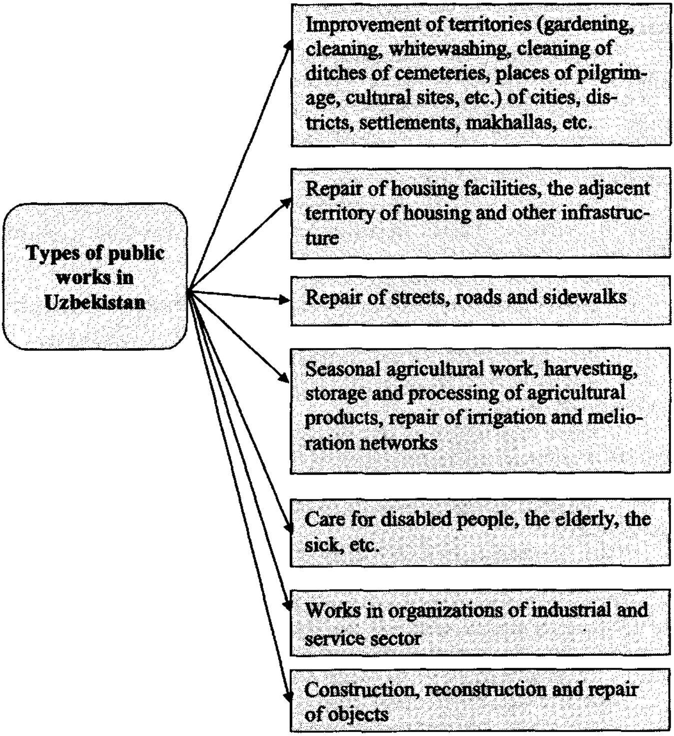


Fig. 12.8. Types of public works in Uzbekistan

Individuals involved in public works will be exempt from the personal income tax on income earned by them from the Fund. Income in the form of labour remuneration of individuals engaged in public works, financed by the fund, will not be subject to a single social payment.

In Uzbekistan, at the district (city) employment assistance centers of the Ministry of Employment and Labour Relations, a Bureau has been created to provide temporary one-time work in the form of branches.

The main tasks and activities of the Bureau are:

– assistance to citizens in temporary employment;

– providing citizens who perform temporary one-time work with advisory and vocational guidance services on employment issues for newly created and vacant workplaces, professional training, organizing and running their own business;

– assisting private individuals-employers in hiring citizens to perform temporary one-time work;

– formation of a data bank on the types of work provided by private employers in order to broadly inform citizens seeking temporary one-time work;

– informing citizens who are hired for temporary one-time work on the rules of compliance with public order, passport regime, as well as the basic rules for safe labour when carrying out temporary one-time work;

– regular holding of job fairs with participation of interested employers and persons seeking temporary one-time work;

– creation of necessary social and living conditions in the Bureau, organization of catering centers for citizens seeking temporary employment;

– maintenance of public order, prevention of violations of the legislation by citizens performing temporary one-time work[1].

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[1] Resolution of the Cabinet of Ministers of the Republic of Uzbekistan of September 8, 2017 "On establishment of a bureau for provision of temporary one-time work" // Collection of the legislation of the Republic of Uzbekistan. – 2001. – No. 10. – P. 61; 2003. – No. 4. – P. 42; 2007. – No.19-20. – P. 195; 2010. – No.13. – P. 96; 2012. – No.17. – P. 191; 2016. – No.9. – P. 88; 2017. – No.15. – P. 249; 2017. – No.37. – P. 990.

CHAPTER XIII.

STIMULATION AND MOTIVATION OF LABOUR, ORGANIZATION OF REMUNERATION

13.1. The standard of living of the population of Uzbekistan and ways to increase it

The Action Strategy on five priority areas of development of the Republic of Uzbekistan in 2017-2021 is based on a dialogue with people, a comprehensive study of problems concerning the country's population, in particular, urgent problems of entrepreneurs. All practical actions that were planned and being implemented are aimed at improving the standard of living and welfare of people.

The standard of living is the degree of satisfaction of the material and spiritual needs of people with a mass of goods and services used in a unit of time. The standard of living is based on the volume of real incomes per capita and the corresponding volume of consumption. A number of authors believe that the concept of welfare level is not identical to the concept of "standard of living", which is broader and is characterized not only by the amount of real income per capita, but also by the degree of wealth of people with material and spiritual benefits.

At present, the UN is taking practical measures for improving the standard of living of the world's population and provides assistance to countries suffering from poverty. In particular, the Millennium Development Goals adopted by the UN General Assembly and the Sustainable Development Goals until 2030 are directly aimed at providing socio-economic support to the world's population, as well as improving human health and preventing environmental pollution.

It is generally accepted to assess the standard of living of the population by the value of incomes per capita and the increase or decrease in consumption. However, indicators for assessing the quality of the standard of living of the population are a much broader concept than the standard of living of a population.

Therefore, the standard of living can be defined as a complex socio-economic category, reflecting the level of the population's need for tangible and intangible values, as well as the existing conditions in society for meeting and developing these needs.

Currently, in the methods of determining the standard of living there is no effective method of designating it with a single indicator that comprehensively characterizes the quality of living standards of the population.

The system of the UN basic indicators includes twelve groups of key indicators:

1. Fertility, mortality, life expectancy.
2. Sanitation and hygiene conditions.
3. Level of food consumption.
4. Housing conditions.
5. Education and culture opportunities.
6. Working conditions and level of employment.
7. Balance of income and expenses.
8. Consumer prices.
9. Provision of transportation.
10. Recreation opportunities.
11. Social security system.
12. Ensuring human rights and freedoms.

In a market economy, wages received at the main place of work are the main source of income for the overwhelming majority of the population. In developed countries, wages account for 60-80% of the total income of the population, that is, it serves as the basis for ensuring their normal life activity.

In the CIS countries, an analysis of the income structure of the population shows that wages in Armenia, Belarus, Kazakhstan and Russia account for 55-69% of income, in Kyrgyzstan – about 40%, in Uzbekistan – 34%. If the share of social payments in Belarus is 29%, in Armenia, Kazakhstan, Kyrgyzstan, Russia – 16%, then in Uzbekistan it amounts to 11.3%.

As a result of implementation of targeted programs for development of small business and private entrepreneurship, incomes from this sector of the national economy are growing. According to statistical data, its share in the total income of the population reaches 50-60%.

Although the impact of property incomes on the change in the total income of the population is not significant, people's confidence in commercial banks increases every year, incomes of joint-stock companies increasing, the rental market for residential properties and other real estate objects are improving. This allows the population to earn income in the form of interest and dividends.

A positive phenomenon is stabilization of expenditures on food products and an increase in expenditures on non-food goods and services.

As can be seen from the table 13.1, cash income, consumer goods per capita, the average salary of workers and employees, the turnover of retail goods increased significantly. This testifies to the fact that socio-economic reforms are purposefully carried out in Uzbekistan, with particular attention being paid to the development of the social sphere.

For the functioning of social programs aimed at raising the standard of living of the population, a mutual relationship is formed between the resource-forming factor of economic growth and social development. Determining the standard of living of the population involves the study of factors and the process that affect the material conditions of life, as well as problems of socio-economic development.

Table 13.1

Indicators of the standard of living of the population*

Indicator	Unit of measurement	2011	2012	2013	2014	2015	2016	2017
GDP per capita	thousand UZS	2184,3	2684,6	3289,0	4741,8	5489,3	6258,6	7843,9
Total cash income per capita	thousand UZS	1944,2	2133,3	2601,9	3163,6	3583,3	4565,2	5750,2
Production of consumer goods per capita	thousand UZS	424,5	595,1	684,9	700,7	814,0	1502,3	1734,0
Retail turnover per capita	thousand UZS	900,8	1130,3	1549,5	1890,1	2274,3	2765,4	3300,0
Number of physicians	thousand UZS	81,5	81,7	81,7	82,0	83,4	84,1	84,0
Number of schoolchildren	thousand UZS	4695,3	4579,4	4491,0	4489,7	4539,7	4670,7	4825,0
Number of university students	thousand UZS	274,5	253,0	258,3	259,3	261,3	264,3	268,3

* Compiled by: Data of the State Statistics Committee of the Republic of Uzbekistan. – URL: //http://www.stat.uz

A professionally developed system of indicators of the standard of living of the population is important in developing effective social policies, assisting low-income population, making informed decisions, evaluating the socio-economic results of strategic reforms carried out in the country and controlling the implementation of territorial social programs.

The logic of the priority of improving the wellbeing of the population, embedded in the Action Strategy for five priority areas for the period up to 2021, is that without wage growth in the real sector to the subsistence minimum, high-capacity labour is impossible and, therefore, intensive (and non-extensive) growth of production, increase in revenues of the state budget and social funds, increase in expenditures of the state and real sectors on the social sphere.

However, wage growth is unacceptable without an increase in productivity, since the parameters of income growth are determined by the rate of productivity growth. The increase in wages, in turn, mediates the possibility of increasing the share of the private sector in the services sector (the growth of personal expenditures of the population on the consumption of paid healthcare services, education, housing and communal sector). It is precisely with the help of such a reform aimed at increasing labour productivity that it is possible to overcome macroeconomic restrictions on wage growth.

Solving the problem of combating low-income, declared as one of the national priorities in program documents, is possible by involving shadow income in the official sector of the economy and redistributing ultra-high incomes involved in it in favor of the poorest on the basis of tax reform. In the medium term, it is also required to develop a composition of a new calculated rational consumer basket, which should take into account the need for expanding the effective demand of the population. Therefore, it is recommended to foresee that the definition of a rational consumer basket should take into account the payment of a number of services: first of all, these are expenses for medical and educational services, utilities and transportation costs, as well as mobile communications and the Internet, consulting services, etc.

The main attention also needs to be paid on analyzing the effectiveness of the two components of the social protection system – social assistance (as a mechanism for redistributing income) and providing social guarantees (as a mechanism for ensuring equal opportunities in obtaining social services in education, medicine, etc.). Estimation of current volumes of social assistance shows an increase in the possibilities of even income distribution in society.

Issues of qualitative analysis of the standard of living are closely linked to the continuation of the monitoring of the living standards of the population on an ongoing basis, as well as the continuous improvement of the national system for monitoring the standard of living.

Additional information obtained through surveys of demography, health and family budgets will help identify the proportion of people who use healthcare services on an irregular basis.

In the future, social policy will be pursued not only by providing conditions for real wage growth and targeted social protection for low-income and vulnerable segments of the population, but also on the basis of providing them with the opportunity for actively engaging in economic activity and improving the mechanisms for addressing social assistance, in particular taking into account the economic potential of families, providing opportunities for its implementation.

In the long term, the growth of living standards is impossible without an adequate increase in the rate of labour productivity, the basis of which should become the intensification of accumulation of human capital and the approach to the target parameters of consumption corresponding to countries with dynamic economies.

In the perspective period, the goal is to strengthen social guarantees for the majority of the population through a more rapid expansion of their private funding based on the insurance and private system of organizing their activities and thereby reducing the resource intensity budgetary system of organization of education and healthcare.

Implementation of these measures will significantly increase the level of expenditures on the social sphere, redistributing the direction (load) of healthcare and education systems, reducing the differentiation in the availability of medical and educational services.

As a result, the middle class should be expanded according to the criterion of approaching target consumption standards, which will indicate an increase in the standard of living and expansion of the social base of the reforms being carried out. Signs of a growing middle class will be a rise in per capita income, improvement in consumption structure, provision of housing for the population with all public services, an increase in the level of education and an improvement in the health of the population.

13.2. THE ECONOMIC ESSENCE OF SALARY

The concept of "wages" applies to persons employed and receiving remuneration for their work in the amount previously agreed upon. *Wages* in a market economy is a monetary compensation received by an employee in exchange for his labour, i.e. it is considered as the price of labour, the value of which is determined by the labour market conjuncture (labour demand and supply). In economics and labour economics, there is another approach, according to which wages are determined as part of the price of a product created by labour and part of the income from its sale.

In this case, wages are the monetary expression of the price of the commodity "labour power" or "converted form of the value of the commodity labour power", and its level depends on production and market factors, under the influence of which it deviates from the value of labour power.

In economic theory, there are various interpretations of the wage (table 13.2). Representatives of the classical political economic theory estimate the wages of such major parts of the income as rent, profit (interest).

Table 13.2

Determination of wages by scientists

Authors	Theoretical views on wages	Sources
F. Quesnay	Wages depend on the means of residence, i.e. prices for purchased goods and services	Amosova V.V., Gukasyan G.M. Economic Theory. – M.: Eksmo, 2014
M. Friedman	Supply of labour power depends on the expected level of real wages and prices	Fridman M. The Role of Monetary Polic // Amer. Econ. Rev. – 1968
A. Marshall	Wages depend on labour supply and demand	Marshall A. Principles of Economics. – M.: Progress, 1993
J.M. Keynes	Wages are established and determined by the state and trade unions	Keynes J.M. The General Theory of Employment, Interest, and Money. – M.: Economy. 1993
V.D. Rakoti	Labour is a commodity, and wages are a form of labour power value	Rakoti V.D. Wages and entrepreneurial income. – M.: Finance and Statistics, 2001
B.M. Genkin	Wages and total income of employees of the enterprise on the basis of specific conditions depend on the cost of human capital or the rental of labour potential	Genkin B.M. Organization, rationing and remuneration of labour at industrial enterprises: a textbook for higher education institutions. – 3rd edition, amendments and additions. – M.: Norm, 2005
Yu.G. Odegov	Wages are the main part of the employee's livelihood fund	Labour economics (social and labour relations) / ed. N.A. Volgina, Yu.G. Odegova. – M.: Exam, 2002

Special attention should be paid to the theory of wages developed by A. Smith, according to which wages are established as a result of an agreement between the employer and the employee. However, the advantages are on the side of an entrepreneur who seeks to reduce wages to a minimum in a situation where the supply of labour power exceeds the demand for it and there is competition between employees for workplaces. In addition, law is on the side of the owner of the means of production and in conflict with employees he may resort to the help of the state.

But it would be otherwise in a country where the funds destined for the maintenance of labour were sensibly decaying. Every year the demand for servants and labourers would, in all the different classes of employments, be less than it had been the year before. Many who had been bred in the superior classes, not being able to find employment in their own business, would be glad to seek it in the lowest. The lowest class being not only overstocked with its own workmen, but with the overflowings of all the other classes, the competition for employment would be so great in it, as to reduce the wages of labour to the most miserable and scanty subsistence of the labourer[1].

In classical political economic theory, the wage fund analyzes how in a market economy the demand and supply of labour resources, i.e., the wage rate is determined by simply dividing the salary payable by the number of employees. With this approach, for increasing the wages of workers requires either an increase in production or a decrease in the number of employees.

In the 19th century, there was also a concept that considered labour power as the monetary expression of the commodity value. According to this concept, labour cannot be a commodity and has no value. The product is an efficient labour power, and wages are the value of the goods, expressed in money. The employee receives a salary not for his work, but for the necessary work. The economic essence of wages is that, at the expense of income, it satisfies the material and spiritual need, ensures the reproduction of labour power.

Representatives of *marginalists*, who studied the issues related to wages with labour productivity, singled out capital, land, entrepreneurial ability as the main factors of production. In their opinion, each of these factors is a definite sign of productivity and serves to generate income. Part of this income belongs directly to one of the means of production.

In the 70s of the 19th century, the economic theory of marginalism (fr. *marginalisme* – utmost) appeared. It became the basis of the economic idea of a marginal revolution. The theorists of this school studied the development of the economy as the desire of business entities to the highest efficiency. J.B. Clark, who made

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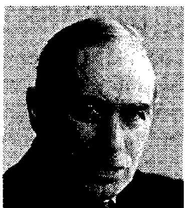
[1] Smith A. An Inquiry into the Nature and Causes of the Wealth of Nations. – M. : Science. 1993. – P. 122.

a significant contribution to the marginal revolution, noted that the stability of society is mainly due to the fact that the increment of the production factor is reasonable as long as the value of the product it produces does not equal the price of the factor itself[1].

John Bates Clark (1847–1938) was well-known American economist, in 1894-1895, the President of the American Economic Association.
Works:
The Philosophy of Wealth (1886).
The Distribution of Wealth (1899).
The Problem of Monopoly (1904)

Marginalists believed that after reaching an equilibrium state of production factors, each of them would be paid for according to their highest productivity. In this case, the highest productivity will be determined by the volume of production per unit of time due to the used labour of the employee. Therefore, as they argued, wages are equal to higher productivity.

Making a huge contribution to the development of economic theory J. Keynes justified his opinion on the inflexibility of wages (downward). He believed that reduction in wages of workers weakened their labour motivation, but due to the increase in prices in the market they would continue to work, despite the decline in real wages[2].



John Maynard Keynes (1883-1946) was famous English economist, founder of the Keynesian direction of economic theory.
Works:
The Economic Consequences of the Peace (1919).
A Tract on Monetary Reform (1923).
The End of laissez-faire (1926)
A Treatise of Money (1931).
General Theory of Employment, Interest and Money (1936)

[1] q.v.: Clark J.B. The Distribution of Wealth. – M.: Economics. 1992. – P. 27.

[2] q.v.: Keynes J.M. The General Theory of Employment, Interest and Money. – M.: Economics. 1993. – P. 52-60.

In the second half of the 20th century, in economic theory, a new direction, the monetarist, was developed. Monetarists emphasize that the amount of money in circulation is a decisive factor in economic development. In their opinion, the expansion of demand in the market serves to increase both the prices of goods and the level of wages. In particular, the founder of this area of economic theory, M. Friedman, proved that changes in the market have more influence on the increase in prices for goods than the increase in wages. A faster increase in prices than an increase in wages reduces the wages. This forces employers to increase the number of employees. Increasing demand for labour power will bring its results, because workers expect price stabilization and assume that an increase in the amount of wages will lead to an increase in real wages.

Doctor of Economic Sciences from Uzbekistan N.K. Zakirova defines the property of nominal wages in this way: nominal wages are the funds received by employees for their labour based on their quantity and quality.

There is an encyclopedic definition of wages: "wages – wages for labour in monetary terms; modified form of value"[1].

The International Labour Organization in Convention No. 95 of 1949 "Concerning the Protection of Wages" gave the following definition: "...the term wages means remuneration or earnings, however designated or calculated, capable of being expressed in terms of money and fixed by mutual agreement or by national laws or regulations, which are payable in virtue of a written or unwritten contract of employment by an employer to an employed person for work done or to be done or for services rendered or to be rendered".

Milton Friedman (1912–2006) was an American economist, Nobel Prize winner in 1976 in economics.
Works:
The Role of Monetary Policy. 1967;
Money and economic development, 1973;
Friedman M., Friedman R. Two Lucky People: Memoirs. – Chicago: The University of Chicago Press, 1998

Currently, despite the fact that there are numerous definitions of wages, they basically express four basic concepts:

1) wages are the cost of labour;

[1] National Encyclopedia of Uzbekistan. Volume 4. – Tashkent: National Encyclopedia of Uzbekistan, 2002. – P.308.

2) wages are the cost of labour power;

3) wages are the price of labour;

4) wages are the price of labour power.

Summarizing the results of scientific studies of classical, neo-classical, Keynesian, marginalist and monetarist areas of economic theory, it can be concluded that:

1. Economics at the approaches to this economic category at the initial stages considered that wages are money paid by the employer to the employee for the work performed by him, the service rendered. However, in theory and in practice, there was no single view on the level of wages and its dynamics, advantages and disadvantages of the forms of payment for labour (service) of the employee.

2. It requires a more in-depth study of the effect on labour economics of the direct relationship between wages and sources of its formation (that is, the overall efficiency of the staff labour, labour collective).

3. Wages make up a relatively large part of consumers' incomes. This has a direct impact on the volume of demand and the level of their prices. From this we can conclude that a more complete and in-depth study of the stimulating properties of wages in development of economic sectors is very important.

In general, wages, on the one hand, are the vital fund necessary for the reproduction of labour power, on the other hand, guaranteeing the employer profits for the costs of hiring an employee. Therefore, wages at the same time can be an employee's profit and expenses of the employer. This is a contradiction of the interests of the parties in labour relations (Fig. 13.1).

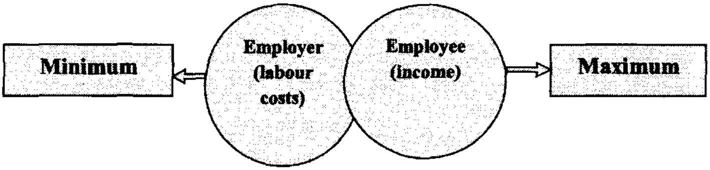


Fig. 13.1. The essence of wages from the point of view of the employer and the employee [1]

The wage rate is determined in order to coordinate interests, which reflects the value (price) of wages. Its level is the subject of economic interests of the main subjects of the labour market, which are linked by common interests.

[1] q.v.: Odegov Yu.G., Rudenko G.G., Babinova L.S. Labour Economics: a textbook. – M.: Alfa-Press, 2007. – P. 548.

In economics, the socio-economic functions of wages and their changes are one of the important issues. In general, two traditional functions of wages are highlighted and justified: reproductive and stimulating. The two theoretical concepts – the theory of labour cost and the theory of maximum profit – mutually correspond to each other. At the same time, theorists distinguish between three and thirteen functions of wages, their analysis makes it possible to classify them in this way (Fig. 13.2):

1. *Distribution function* serves to determine the share of the employee in the newly created products. It reflects the distribution of the consumer fund between employees and owners of production assets.

2. *Reproductive function* is aimed at ensuring reproduction, the level of consumption, which is considered normal. Reproductive function is considered a priority in relation to others. If the employee's salary in the main workplace cannot provide him and his family with a decent living standard, he will face the problem of finding additional income. The search for a second, third job destroys his labour potential, reduces his qualification level, damages his labour and production discipline.

The lack of a link between the amount of wages and labour productivity damages the basis of wages, reduces the effectiveness of its incentive function, stifles initiative and human efforts.

3. An employee, in order to increase his salary, must be interested in improving his qualifications. The employer is interested in hiring a highly qualified employee who contributes to improving production efficiency and improving the quality of products produced in his enterprise. Therefore, the *stimulating function* is directly related to wages, which is organically linked to the results of labour.

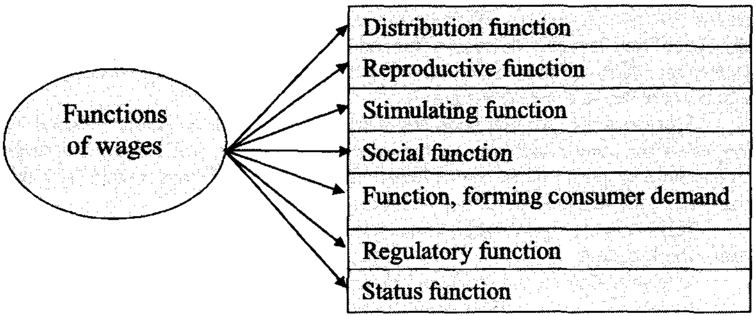


Fig. 13.2. Functions of wages

4. *Social function* – wages as a source of social insurance for an employee should create the possibility of using medical services not only at working age, but also after retirement. This is especially important in a market economy, as in an economy based on various forms of ownership, the social protection of an employee is not only the task of the state, but also the employer.

5. *The function that forms the consumer demand* is characterized by the influence of wages on consumer demand. The regulation of wages serves to establish an equitable balance between the demand and supply of goods and services in the market.

6. *The regulatory function* means the optimal allocation of labour resources by regions, industries, business entities. At the same time, the equilibrium of supply and demand is regulated through the establishment of differentiated wage rates. As a result of the influence of this function, there is an optimal allocation of labour resources by territories and branches of the economy.

7. *The status function* is based on the correspondence of the amount of wages and the position of the employee, corresponding to his status. The labour status of an employee determines his place in relations with other employees both vertically and horizontally.

The status function is above all extremely important for workers. Relying on this function, they have the opportunity to substantiate to the employer wishes for the establishment of wages, corresponding to his professional qualifications, official position paid to colleagues in other sectors of the economy.

The functions of wages are related to the demand and supply of labour power in the labour market. In the market of perfect competition, the number of employees hired by the employer is determined by two indicators – the real wage (the possibility of acquiring material and spiritual wealth for wages) and the cost of labour power (in monetary terms). With the increase in the number of employed workers, the cost of labour power decreases (the law of decreasing income). With the attraction of an additional unit of labour, the level of labour power cost will cease to be equal to the demand for labour power.

From this we can conclude about the disproportion of labour demand and wages. When other conditions are the same, the employer, while increasing wages to maintain proportionality, has to reduce the demand for labour power. By reducing wages, the demand for labour will increase.

When paying for labour, it is necessary to take into account many other factors, which include:

a) administrative and economic regulation of wages by the state;

b) labour market infrastructure (employment services, private recruitment agencies, etc.);

c) internal labour markets of large companies, adapted to their wage systems;

d) activities of trade unions that can have a serious impact on the level of remuneration in sectors of the economy, etc.

The state regulates the payment for labour through guaranteed minimum wages, presentation of benefits to individual categories of workers, taxes, determination of the level of wages in the public sector, etc.

Well-known economist and politician L. Erhard noted that the state that pursues the policy of social market economy combines the principle of market freedom with social proportionality and moral responsibility of each person to a common cause[1].

Ludwig Wilhelm Erhard (1897-1977) was a German economist and politician, Chancellor of the Federal Republic of Germany in 1963-1966
Works:
Welfare for all. – M.: Delo, 2001

The interconnected distributional and social functions of labour remuneration reflect, on the one hand, the prices of labour in newly created products – wages and allocations for social funds, and on the other, profits received. At the same time, the interests of the employee and the employer in mutual labour relations are reflected in the share of the amount of wages in the gross domestic product of the country, as well as performs the function of the main indicator of social policy implemented by the state.

[1] q.v.: Erhard L. Welfare for all. – M. : Delo. 2001. – P. 250.

13.3. Market mechanism for establishing the level of wages

The macro-level system of wage regulation and its organization in the scale of the economy of the whole country are composed of three elements, or subsystems, i.e. mechanisms:

1) market self-regulation as a result of spontaneous interaction of supply and demand on the labour market;

2) establishment of state minimum social standards on payment;

3) coordination of interests of employees and employers with participation of the executive authorities within the framework of social partnership at the national and sectoral levels.

Thus, according to the Labour Code of Uzbekistan, the monthly wage of an employee who has fully complied with the labour standards and labour duties determined for that period cannot be lower than the amount established by the legislation for the first category of the Single salary schedule.

On May 21, 2019, the wage and pension system was completely changed on the basis of the Decree of the President of the Republic of Uzbekistan "On improving the procedure for determining wage amounts, pensions and other payments".

According to this document, from September 1, 2019, new concepts and wage amount to be introduced in the country instead of the minimum wage.

As stated in the Decree, published in the official press, the minimum wage (MW) in Uzbekistan will amount to 577,170 soums, the minimum wage – 577,170 soums (69 USD), basic calculation – 202,730 soums (24 USD), the principal amount of pension accrual – 202,730 soums (24 USD).

Currently, the minimum wage in Uzbekistan amounts to 202,730 soums (24 USD), and the minimum pension to 396,500 soums (47 USD). The last increase in wages and pensions in Uzbekistan took place in November 2018.

Indirectly, the salary taxation system affects the amount of wages of workers. The regulation of wage rates and its organization on a regional scale consists of two subsystems:

1) establishment of regional minimum social standards for salaries;

2) coordination of interests of employees and employers with participation of the executive authorities within the framework of social partnership.

The process of establishing the price for labour in the labour market is the essence of its market self-regulation, when as a result of the action of spontaneous market forces, the demand for labour and its supply interact.

The market mechanism for establishing the level of wages is based on the nature of supply of labour resources and their demand in the labour market. In this matter, it is important that the decision is taken by the person concerned in implementation of labour activity. A potential worker must first decide how much time will be spent on working and free time. Based on the decision, he can voice his demands to the employer.

The requirement of a person for free time, like other benefits, depends on the following factors:

1) alternative expenses of goods;
2) level of material wellbeing of a person;
3) preferences of a person (work or have free time).

In other words, the person in the wage issue must decide: to allocate more time to labour activity and get more income or have more free time and give up the income that could be earned. In economic theory, it got the name of the income effect and the exchange effect.

The *income effect* is the impact on the structure of consumer demand by changing its real income, caused by a change in the price of the good.

The essence of this effect lies in the fact that when the price of a good is reduced, a person can buy this good more, without denying himself the purchase of others. The income effect reflects the impact on the demand quantity with changes in the real income of the buyer. The fall in the price of a single commodity has an insignificant, but the effect on the general price level and makes the consumer more relatively richer, while his real incomes are insignificant, but growing. He can direct his additional income, obtained as a result of a reduction in the price of these goods, both to the acquisition of its additional units, and to an increase in the consumption of other goods.

The effect of income is that the buyer at a lower price can purchase more of this product and increase the amount of demand for it, without reducing the purchases of other goods. In this case, we are talking about increasing the purchasing power and real consumer income (in general, he buys more goods with his nominal money income), and not about replacing one product with another. For example, a lower price for tea will lead to the fact that the consumer will be able to purchase it more for the same amount of money as before. However, he will not reduce the purchase of other goods. Accordingly, an increase in the price of tea will lead to a reduction in its purchase, a decrease in the real income of the consumer.

The income effect will be manifested to a lesser extent if the price of a relatively cheap product changes, since in this case the purchases will not change significantly (for example, matches, ballpoint pens, etc.). If the price of an expensive product changes, the quantitative impact of the income effect will be greater, and the volume of demand will change significantly.

The *indifference curve and budget constraints* are the totality of dependencies associated with formation of labour supply by an individual, which finds its expression in the individual labour supply curve, and the sum of individual labour offers gives a generalized labour supply curve in a given labour market.

Analysis of family decisions allows to identify those changes in the individual labour supply that arise in the family.

Firstly, the family is considered as a place of production and consumption. If a family consumes only one good – food, then food can be prepared in different ways: at home from self-cultivated products; at home from products purchased in the store; you can buy ready-made food, and at home you can only warm it up. Different time is spent for each of the noted methods, as well as there will also be a different price for products (services). Reducing the time for cooking leads to an increase in the cost of purchasing food.

The choice of cooking method depends on the amount of the salary (income) of family members, as well as family preferences, including who is more likely to work outside the household and who is more likely to work at home.

Secondly, when deciding which spouse will work in the household, and who will go to work, it is important to find out whose work is more productive at home and whose work is on the labour market. The health status of spouses and its impact on the labour supply should be taken into account in this.

The categories of "desperate" and "additional" workers arise mainly during periods of economic recession. On a country scale, it is important to identify the relationship between these categories of people. If the share of "desperate" workers is higher than the share of "additional" workers, the unemployment rate will decrease, since the former, having lost meaning in their search for work and stopped searching for it, do not fall into the number of registered unemployed. If the number of unemployed at the expense of "additional" workers will grow faster than the growth of "desperate" workers, the unemployment rate will increase. "Desperate" workers are a layer of hidden unemployed. For a more efficient organization of the labour market, their number should be identified by different survey methods.

Substitution effect is a change in the structure of consumer demand as a result of a change in the price of one of the benefits included in the consumption bundle. The substitution effect will not work or will appear slightly if this product does not have substitutes or there are very few of them (for example, salt).

The degree of influence of the substitution effect and income effect on the volume of demand depends on the consumer and the product. The substitution effect will not act or will manifest itself to a minor extent if the consumer has developed persistent tastes, preferences that he does not wish to change.

So, if the price for coffee has risen, but for tea has remained unchanged, then the consumer may not want to change his tastes and habits and change the coffee for tea. Then the substitution effect will not work. However, in this case, the income effect will manifest itself, since the consumer will have to reduce other purchases to some extent with the same money income.

The essence of these effects is reduced to the fact that the consumer with the growth of prices for some benefits reoriented to other benefits with similar consumer properties, but with a constant price. In other words, consumers tend to replace more expensive goods with cheaper ones. As a result, the demand for the initial good falls.

Proceeding from this, if the income earned provides for feeding the family at home, the question arises who should earn money and who is inclined to cook. In this matter, it is crucial to conclude – whose work is more effective in production, and whose – in the household. In the United States, there is a statistics of time allocated for labour activity and free for men and women (table 13.3).

Table 13.3

Time allocated for labour activity and free time of men and women in the United States (per week, h)

Types of activities	**Men**	**Women**
Implementation of labour activities in industry, including transport, time spent on part-time work and job search	44,0	23,9
Time spent on household	13,8	30,5
Total time spent on labour activity	57,8	54,5
Free time	41,8	41,9
Time spent on self-care, sleep and leisure	68,2	71,2

These statistics indicate a fundamental difference in the time spent on labour activity and the household between men and women. If during the week men spend 76.1% of the total time on labour activity, then this indicator for women is 43.9%. According to other indicators, the time spent by men and women is about the same.

Direct regulation of labour remuneration by the state is the direct establishment of certain quantitative parameters that are mandatory for business entities in the form of:

– tax rates aimed at the means of remuneration of the organization, as well as on income of individuals;

– establishing the minimum wage, which represents the lowest limit of cash payments per month, which are received by employed persons for performing simple work in normal working conditions;

– remuneration for overtime, holidays and non-working days, payment of annual leave;

– pricing categories and coefficients for public sector employees (they are also guided by commercial organizations);

– establishing state guarantees for wages. Indirect regulation of labour remuneration by the state consists in periodic recommendations regarding the following parameters:

– application of tariff rates in manufacturing industries;

– organization of progressive forms and systems of remuneration;

– information on the level of wages in various sectors of the national economy, etc.

Three systems for regulation of labour remuneration have been established in a market economy:

1. *Regulation of wages by the state at the macro level.* Under such a system, the control over the amount of wages and the order of payment is carried out on the basis of legislation by administrative measures regulating wages in budget organizations. In the regulation of wages by the state, the determination of the minimum wage occupies a central place.

2. *Organization of payment for labour on the basis of collective agreements.* This principle is implemented on the basis of an agreement between social partners – employees, employers and their representatives (trade unions, associations and others), as well as the state.

3. *Organization of payment for labour on the basis of corporate, market-agreed methods.* This method of regulating wages depends on changes in the market price of labour power in business entities.

Organization of remuneration is based on the level of development of production, forms of ownership of branches of the economy, state policy on settlement of remuneration and many other factors. They can be divided into market factors, factors not related to the market, external and internal (fig. 13.3).

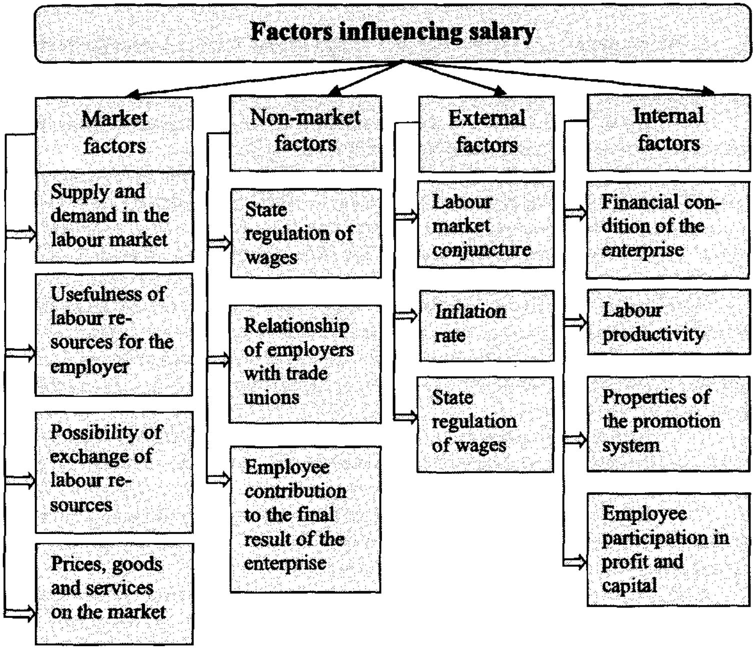


Fig. 13.3. Factors influencing salary

In economic entities of the branches of the economy of the Republic of Uzbekistan, the organization of wages is based on the following principles:

1. The amount of remuneration shall be established by agreement between the employer and the employee.

2. Labour remuneration cannot be lower than the minimum amount established by the legislation and is not limited to any maximum.

3. Forms and systems of remuneration, awards, surcharges, allowances, incentive payments are established in collective agreements, as well as other local acts, adopted by the employer in coordination with the trade union committee or other representative body of workers.

4. Wages are usually paid in cash. It is prohibited to pay for labour in natural form, with the exception of cases established by the Government of the Republic of Uzbekistan.

5. For employees of institutions and organizations financed from the budget, as well as state-owned enterprises, the minimum wage conditions are established by the legislation.

6. Regional coefficients and wage supplements are established in areas with unfavorable natural-climatic and living conditions.

In the Articles 136-138 of the Labour Code of the Republic of Uzbekistan it is stated that workers employed in unfavorable working conditions and special working conditions with severe and climatic conditions are provided with paid additional leave in the order determined by the Government of the Republic of Uzbekistan.

Along with this, district coefficients and wage supplements are established for workers of enterprises, organizations, and institutions in desert, waterless, and highland areas. These coefficients are set for the Republic of Karakalpakstan in the amount of 1.1-1.3, for Navoi region – 1.2-1.6, for Bukhara – 1.2-1.5, for Tashkent region – 1.2.

7. The amount of remuneration determined by the agreement of the parties to the labour agreement cannot be lower than that established by the contract or agreement.

8. Changing the individual conditions of remuneration in the direction unfavorable for the employee is not allowed (with some exceptions established by the legislation) without the consent of the employee.

9. Work in overtime, on weekends and public holidays is paid not less than in double amount, each hour of work at night is paid not less than one and a half[1].

The following principles are required to implement the above functions (fig. 13.4).

The essence of remuneration is manifested in functions that it must perform in production, distribution and consumption, the main ones are:

1) reproductive function, which consists in providing workers and their families with necessary vital goods for reproduction of labour power;

2) stimulating function, the essence of which is to establish the dependence of the employee's wages on the results of his activities, and the employee must be interested in constantly improving the results of his activities;

3) distribution function intended for distribution of funds for labour remuneration between employees and owners of the means of production;

4) accommodative function, the essence of which is to optimize the allocation of labour resources by industries, enterprises;

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[1] Articles 153, 154, 155, 156, 157, 158 of the Labour Code of the Republic of Uzbekistan // National Legislation Database. – 2018. – January 5. – No. 03/18/456/0512; 2018. – January 10. – No. 03/18/459/0536; 2018. – April 19. – No. 03/18/476/1087, 2018. – July 24. – No. 03/18/486/1559; 2018. – October 17. – No. 03/18/501/2056; 2019. – January 10. – No. 03/19/514/2450.

5) formation of effective demand, providing for establishment of necessary proportions between product supply and demand.

It is necessary to fulfill certain principles of remuneration for implementing the above functions:

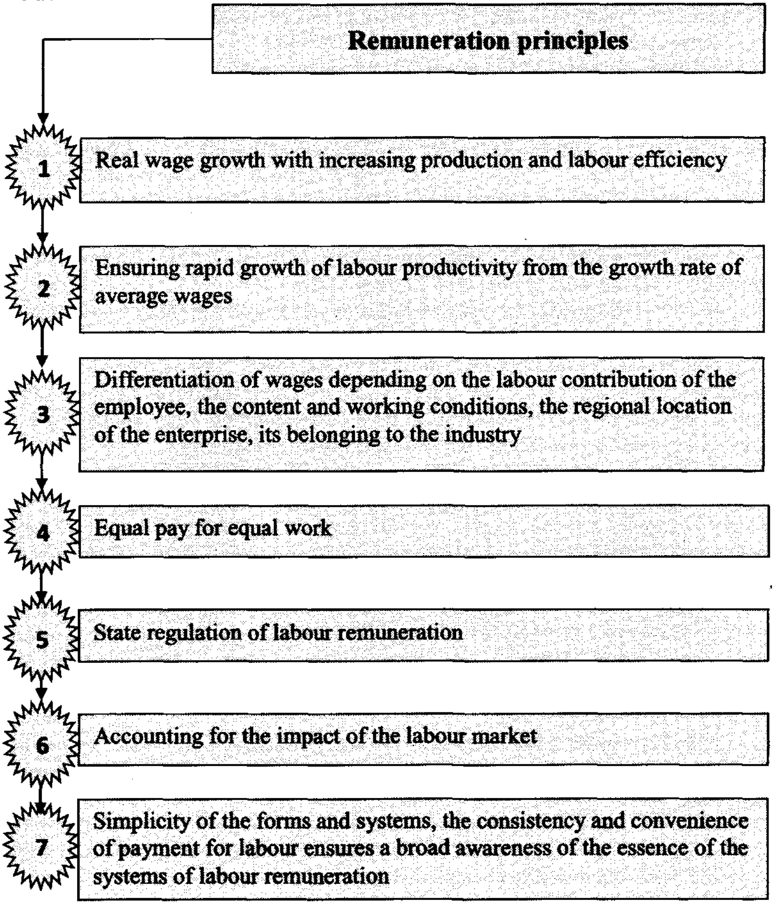

Fig. 13.4. Remuneration principles

1. The principle of raising real wages as production efficiency increases provides for the possibility of receiving wages for one's work, depending on the results of production and business activities of the enterprise and labour efficiency. The absence of such a connection may lead to receive unearned money, inflation, and consequently, to a decrease in real wages.

2. The principle of advanced labour productivity growth rates over the average wage growth rate means maximizing labour income based on development and increase of production efficiency. Its violation leads to payment of unsecured goods and money services, inflation, development of negative phenomena in the economy.

3. The principle of differentiation of wages is intended to take into account the dependence of labour contribution of each employee in the results of enterprise's activities on the organization and working conditions, the area of distribution and sectoral affiliation of the enterprise.

4. The principle of equal pay for equal work means both non-discrimination in wages by gender, age and other grounds, and the fairness of distribution of funds according to the labour contribution of each employee. This is one of the most important requirements for the organization of remuneration at the enterprise, which consists in that the indicators used to account for the labour costs of employees, made it possible to assess their quantity and quality.

5. The principle of taking into account the impact of the labour market is justified by the need for taking into account the conditions prevailing in the labour market, where an assessment of its various types is formed, a wide range of wages in the areas of labour activity, employment of the population and ultimately the availability of supply and demand for labour power.

6. The principle of simplicity and accessibility is designed to ensure that working and potential workers are aware of the forms, systems and wages, which allows them to offer their work for a certain, previously known wage, and employers to demand it. Payroll calculation should be simple and quite accessible for all to understand.

The above principles of the organization of remuneration should be used in interrelation and interdependence, on the one hand, as an important means of improving the material wellbeing of workers, on the other for stimulating productivity growth, accelerating scientific and technological progress, improving product quality, strengthening labour discipline, increasing profits and profitability of production. Their practical implementation is a necessary prerequisite for the rational organization of wages at the enterprise.

The organization of remuneration has its own peculiarities in budget organizations and the non-state sector (table 13.4). They are based on the fact that in the non-state sector employers independently determine the forms of remuneration, as well as premiums and additional payments.

In a market economy, collective agreements and contracts are of great importance in the regulation of wages. In accordance with the Labour Code of the Republic of Uzbekistan, general, sectoral and territorial (regional) collective agreements may be concluded to regulate social and labour relations.

The general agreement is concluded between the Council of the Federation of Trade Unions of Uzbekistan (other representative bodies of workers), republican associations of employers, and at the suggestion of the parties by the Government of the Republic of Uzbekistan, which establishes general principles for coordinated implementation of socio-economic policy.

Sectoral agreements – between the relevant trade unions (other representative bodies of workers) and employers (their associations), and at the suggestion of the parties and the Ministry of Employment and Labour Relations of the Republic of Uzbekistan. They determine the main directions of socio-economic development of the industry, working conditions and its payment, social guarantees for industry workers.

Table 13.4

Organization of remuneration in budget organizations and private sector

Indicators	Budget organizations	Private sector
Determination of the basic (main) part of wages	On the basis of Unified tariff scale approved by the Government of the Republic of Uzbekistan	Independently developed on the basis of supply and demand on the labour market and labour productivity
Models and wage systems	Mostly piece-rate and time-rate	Depending on the final results of labour, flexible models and systems
Incentive payments	Premiums from special sources for the main results of activity, one-time premiums following the year, premiums, additional payments	Premiums for the final results of the enterprise or for personal contribution to the achievement of certain goals, bonuses, participation in profits and capital

The following items may be included in *collective agreements* concluded between employers and employees:

- the form, system and amount of remuneration, monetary remuneration, benefits, compensation, additional payments;
- the mechanism for regulating wages based on changes in prices, level of inflation, fulfillment of indicators determined by a collective agreement;
- employment, retraining, conditions for the release of workers;
- duration of working time and rest time, from vacations;
- improvement of the working conditions and labour protection of workers, including women and persons under the age of eighteen, ensuring environmental safety;
- respect for the interests of workers in the privatization of enterprises, departmental housing;
- benefits for workers who combine work with education;
- voluntary and compulsory medical and social insurance;
- the amount and timing of introduction by the employer of additional contributions to the individual pension savings accounts of its employees.

When organizing remuneration, an urgent task is to ensure full effect of the incentive function, which serves to enhance the labour motivation of employees. This requires a wage policy in organic connection with social programs, a decrease in the rate of inflation.

It is planned to create independent state body on wages and personnel management, as well as an interdepartmental commission responsible for coordinating the ongoing reforms in the Republic of Uzbekistan.

Within the framework of implementation of the first stage, a methodology will be developed for establishing wages in public sector, including criteria (factors) affecting wages, and the functional responsibilities for each position are determined. Experimental application of the new system to determine the amount of the wage is planned to be introduced in 5-6 industrial ministries and agencies.

At the second stage, the main task will become the implementation of a full functional analysis of all ministries, agencies and state institutions, as well as phased introduction of a new wage system and tariffs, including in their regional offices.

It should be noted that in order to fulfill the tasks stipulated in the draft roadmap, the experts of the World Bank mission in Uzbekistan, recommended to conduct a process of restructuring salaries and a system of allowances.

In general, as a result of reforming the wage and employment system in the public sector, the following strategic objectives are expected to be achieved:

- financial stability of the wage fund in the public sector;

– improving the efficiency and effectiveness of labour resources in the public sector;

– improvement of personnel management and control systems;

– establishing a harmonious working process at the expense of transparency, justice and equal remuneration for employees for proportionate work in the public sector.

13.5. WAGE PAYMENT SYSTEMS

The wage payment system includes both the method of establishing the ratio between the measure of labour and the measure of remuneration for it, on the basis of which the procedure for calculating the employee's earnings (form of wages) is based, as well as the specific amounts of tariff rates, salaries (official salaries). The labour remuneration system also includes the conditions, the procedure for payment and the amount of bonuses and allowances of compensatory nature, the conditions, the procedure for payment and the amount of additional payments and incentives, premiums.

Wage payment systems are a mechanism for determining wages depending on quantitative results and quality (its complexity, intensity, conditions) of labour.

Remuneration consists of piece-rate and time-rate system (fig. 13.5).

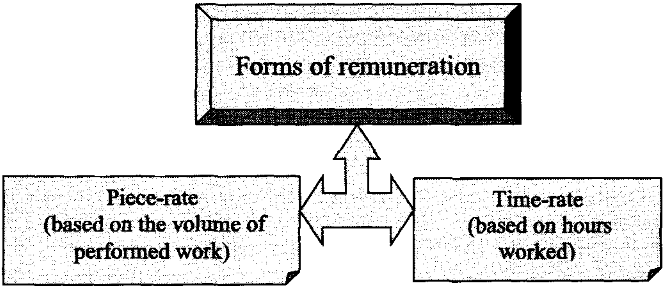

Fig. 13.5. Forms of remuneration

Piece-rate pay is a form of remuneration of an employee, in which salary depends on the number of units of products produced by him or the amount of implemented activities, taking into account their quality, complexity and working conditions.

The following are needed to apply the method of piece-rate pay:

- labour regulation;
- accounting of labour costs;
- definition of labour productivity.

Each of them has its own properties, advantages and disadvantages[1].

Piece-rate pay can be organized as:

- straight piece-rate;
- premium piece-rate;
- progressive piece-rate;
- indirectly piece-rate;
- one-off;
- mixed (time-rate piece-rate).

Direct individual piece-rate pay is determined by the formula:

$$W_{pr} = P_{pr} N_{pr.a.},$$

where P is the piece-rate for a unit of production or work;
$N_{pr.a.}$ is the actual amount of production or work implemented for the specified period.

Piece-rate pay P_{pr} is calculated by the formula:

$$P_{\text{сд}} = \frac{C_{\text{т}}}{T_{\text{в}}}, \text{ or } P_{\text{сд}} = C_{\text{т.ч.}} H_{\text{в.р.}},$$

where R_t is the tariff rate of discharge per shift;
p is the rate of production, units;
$R_{t.h.}$ is hourly tariff rate;
$N_{h.r.}$ is the time rate, h.

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[1] q.v: Rofe. A.I. Labour Economics and Sociology: a textbook. – M.: KnoRus, 2010. – P. 349

Piece-rate is determined based on the tariff rate of work, and not from the tariff rate of the discharge set by the worker. With the piece-rate premium wages, the wages of a worker W_{pr} at the basic piece-rates are supplemented with special bonuses and can be calculated using the formula:

$$З_{ed.пр.} = З_{ed}\left(1 + \frac{K_{п.р.}}{100}\right),$$

where $B_{p.r.}$ is a bonus rate for qualitative implementation of the shift assignment, %.

Indirectly piece-rate pay is determined by the following formula:

$$R_{всп.} = \frac{TC_{всп.раб.}}{n \cdot H_{ос.раб}},$$

where TR $_{aux.work}$ is hourly tariff rate of auxiliary workers;
R$_{.main.work}$ is the rate of development of the main worker;
n is the number of main workers served.

The amount of premium is usually set in a percentage of earnings, determined by piece-rates, depending on the particular production and the nature of the work performed. Premiums increase the worker's interest in improving the quantitative and qualitative indicators of production.

In recent years, the work of a huge number of workers is paid for by piece-rate premium system. Individual and collective piece-rate premium wages is distinguished.

Piece-rate progressive wages are usually introduced in key sectors that are a "bottleneck," with special need for material incentives for workers to increase output. With this system, the worker's earnings for fulfillment of the rate of output are determined as with direct piece-rate payment. If the established norm is exceeded, surcharges to the main piece-rates are progressively increased. Progressive bonuses are charged based on the results of monthly work. When calculating wages, only high-quality products are taken into account.

Calculation of the piece-rate progressive payment is complicated and requires computational work. The disadvantage of this system is that the worker's earnings increase faster than labour productivity.

With an *indirect wage system*, the worker's earnings are directly dependent on the output of those workers whom he directly serves. Indirect piece-rate system is used to establish earnings for auxiliary workers engaged in serving the main workers. It increases their financial interest in improving the maintenance of work-places, machines, units.

Lump-sum payment is mainly used in construction. Under this system, the total amount of earnings is determined prior to implementing work at current standards and piece-rates. Piece rate is set immediately for the entire amount of work that must be completed on time. If a premium is paid for an urgent or qualitative performance of work in the lump system, then it is called a one-off bonus payment system. Lump sum wages stimulate the implementation of the whole complex of works with a smaller number of employees and in a shorter time.

Time-rate pay is a form of wage of an employee in which earnings depend on the amount of time actually worked, taking into account the qualifications of the employee and working conditions. This form of payment, for example, is used in conveyor production, enterprises engaged in maintenance of equipment. The use of time-rate system is reasonable in organizations where it is impossible to determine the result of labour or this requires additional costs.

Time-rate pay can be hourly, daily and monthly. In developed countries, there is a widespread hourly wage. In Uzbekistan, the monthly form is mainly applied.

In a market economy there are tariff, non-tariff and compensatory models of remuneration (fig. 13.6).

Tariff model of the organization of wages is based on:

a) *technical regulation of labour*. It serves to establish technically sound labour standards (time, production, rendering services, number of employees), for an objective assessment of labour costs, for performing certain work (services);

b) *tariff system*. It is a set of standards for determining from the quantitative side objectively existing differences in the work performed (rendered service) by employees of different categories.

The tariff system consists of the following components:

- tariff scale;
- tariff rates (official salaries);
- tariff coefficients;
- tariff and qualification data.

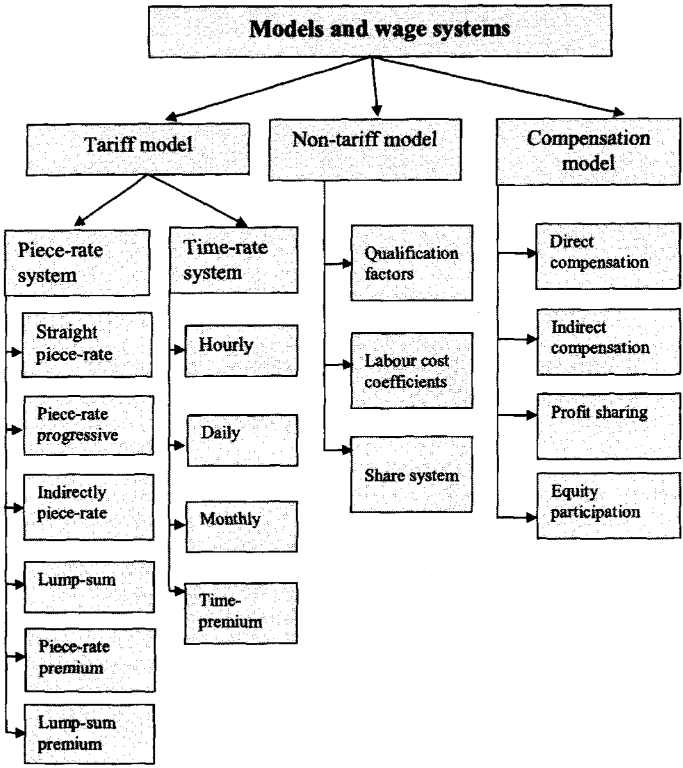

Fig. 13.6. Models and wage systems

The *rate schedule* is a set of tariff categories of work (professions, positions), determined depending on the complexity of the work and the requirements for the qualification of workers with the help of tariff coefficients.

The rate schedule is one of the ways of payroll preparation at the enterprise, which is formed on the basis of local or legislative acts. It is the rate schedule that determines the coefficient for multiplying the minimum wage, depending on the qualifications of the specialist and other related conditions. 22-category Single tariff schedule is adopted in Uzbekistan (table 13.5).

Tariff coefficients in the tariff scale show what category and how much compared with another category, more or less.

The *wage rate* (salary, official salary) is the amount of cash payment (salary, official salary) in the salary that is paid to the employee for fulfilling the labour rate (labour duties) of a certain complexity (qualification) for the established time without taking into account compensatory, stimulating and social benefits. This payment is fixed and obligatory, it is the minimum guarantee of remuneration of the employee, below which he cannot receive, subject to the performance of official duties.

Table 13.5

Single tariff schedule for wages in the Republic of Uzbekistan *

Wage categories	**Tariff coefficients**	**Wage categories**	**Tariff coefficients**
1	2,476	12	6,115
2	2,725	13	6,503
3	2,998	14	6,893
4	3,927	15	7,292
5	3,612	16	7,697
6	3,941	17	8,106
7	4,284	18	8,522
8	4,640	19	8.(43
9	4,997	20	9,371
10	5,362	21	9,804
11	5,733	22	10,240

* *Compiled by*: Single tariff schedule for labour remuneration // Collection of legislation of the Republic of Uzbekistan. – 2009. – No. 30-31. – P. 344; 2012. – No. 2. – P. 17; National database of legislation, 03.12.2018, No. 09/18/976/2282; 01/19/2019, No. 09/19/47/2508.

The salary of an employee is calculated according to the following formula:

$$S = ES/Dc \times Da + P - T - D,$$

where S is salary;

ES is employee salary;

Dc is the number of calendar days on the production calendar;

Da is the number of days actually worked;

P is premiums and surcharges, stimulating and motivating payments (can be set in a certain amount or depend on certain factors);

T is tax on income of an individual;

D is various deductions (alimony, fines).

The piece-rate pay of an employee is determined by the following formula:

$$S = P1 \cdot n1 + P2 \cdot n2 + P + AR - T - D,$$

where P1, P2, etc. are the piece-rates for products made by employees (operations, work);

n1, n2, etc. is the number of units produced by the worker;

AR is additional remuneration (for example, if the plan is exceeded).

Tariff-qualification characteristics usually consist of the requirements for the employee, the properties of production, the procedure for determining tariffs for new works, the general part on the procedure for introducing ammendments and additions in these characteristics and qualification descriptions, alphabetic indicators of occupations.

Qualification description of the characteristics – from the "Job description", which must be performed by an employee of the relevant category, an exemplary "Must know", which describes the knowledge and skills necessary to perform these works, and "Samples of works" – list of works for occupations and categories applied to a specific industry. Characteristics also show alphabetical occupations.

The tariff-free wage system is a form of calculating wages, in which the income of each team member is proportional to his contribution to the overall result of the work. In case of a tariff-free system, the earnings of an employee directly depend on the final results of the activity of both the structural unit and the business entity as a whole.

Under this system, the salary of all employees from manager to worker is the share of the employee in the payroll, depending on various criteria. The calculation of salary for the tariff-free wage system is determined in the following sequence:

1. The number of points earned by each employee is determined:

$$Q_p = QL \times CLP \times Q_h,$$

where QL is the qualification level;

CLP is the coefficient of labour participation;

Q_h is the number of man-hours worked.

2. The total points earned by all employees of the unit are calculated:

$$QN_b = \sum Q_b.$$

3. The proportion of the wage fund attributable to payment of one point is determined:

$$d = \frac{ФОТ}{QN_б},$$

where sh is the share of the wage fund;

WF is the wage fund.

4. The salary of each employee is determined:

$$WFN = sh \cdot Q_p,$$

where WFN is the employee's salary.

The flexible tariff model system is based on a system of coefficients consisting of two groups:

1. The coefficients taking into account the experience, qualification, professional skill and other properties of the employee, useful for the enterprise. In this case, the main part (60-70%) of the salary amount falls on the coefficient of qualification of this group.

2. The coefficients taking into account the labour productivity of the worker and his level of implementation of the tasks. 30-40% of the salary falls on the indicators of this group.

The compensation system of labour remuneration is a system based on the principle of determining remuneration as a function of two variables: internal for the organization of the value of the workplace it occupies and its absolute (market) value (fig. 13.7).

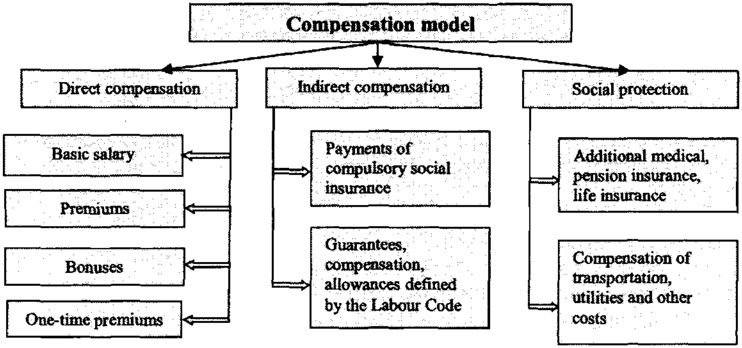

Fig. 13.7. Compensation model

Compensation for personnel is divided into direct and indirect. They cover all possible external forms of encouraging the employer to personnel.

Direct compensation is the basic wage, all types of premiums, lump sum premiums, incentive allowances.

Sources of funding and the procedure for granting guarantees of payments related to the execution of the state or public duties by employees, as well as their performance in the public interest are determined by the Government of the Republic of Uzbekistan.

Social protection in the compensation model is expressed in the additional payments provided for by the legislation at the expense of profits and the provision of benefits to the employee by the employer. These compensations include medical and pension insurance, life insurance, payment for fare, food, utilities, education and training of children of the employee.

Provided for in the compensation model, the participation of personnel in capital is encouraged in the form of payments from profit, payment of dividends for shares.

13.6. Minimum wage

The minimum wage is the established minimum wage per hour, day, week or month (year) that an employer can (must) pay his employee, and for which the employee can legally sell his labour. It can be established legally and informally, for example, by signing a sectoral agreement between a trade union and a consolidated employer (a tariff agreement).

Although the minimum wage is used in many countries, however, there is no single opinion regarding the benefits and harm that the establishment of such a minimum does.

According to the Decree of the President of the Republic of Uzbekistan of May 21, 2019 "On improving the procedure of determining wages, pensions, allowances and other payments", the minimum wage is applied in the field of labour relations for determining the amount of official salary, allowances, supplements, fees, compensation payments for additional work and other incentive payments, as well as deductions established by the legislation, and other payments previously established in relation to the minimum wage, as well as determining the need of families in social support and the amount of unemployment benefit.

The basic calculated value is used in determining:

– taxes, fees, fines, government duties and other payments for the provision of public services;

– value of a patent, license and other payments for engaging in a certain type of business activity, the amount of authorized and other funds (capital) of organizations, the value of shares paid for non-cash assets, other securities, the balance value of assets of legal entities, the maximum amount of microcredit and leasing, as well as other financial and economic indicators.

In addition, the basic amount of the calculation of pensions is used to calculate pensions, allowances, supplements and compensations, as well as to compensate the harm caused to the health of the employee. At the same time, all types of allowances, bonuses, remuneration and other payments of compensatory and incentive nature, established in relation to the minimum wage, are recalculated with the preservation of the current sum values of these payments.

The definition of the minimum wage is one of the main methods of state regulation of wages. According to many economists, such regulation is more effective than various forms of social security in the fight against poverty (allocation of food stamps and coupons for medical services).

Theories about the minimum wage are directly related to the situation on the labour market. For example, an economist from the United States J. Stiglitz was the first to conclude that the minimum wage could lead to forced unemployment in the labour market.

Joseph Stiglitz was born in 1943. He is an American economist, professor at Columbia University, Nobel Prize winner of 2001 in Economics.

Works:

Equilibrium in Cimpetitives Marktes... Imperfect (1976).

Equilibrium in Product Markets with Imperfect Information (1979).

Credit Rationing in Markets with Imperfect Information by Stiglitz and Weiss (1981).

Incentive Effects of Terminations: Applications to the Credit and Labour Markets (1983).

A Symposium Issue on Imperfect Information and Rural Credit Markets (1990)

In a competitive labour market, if a minimum wage is not entered, the balance of supply and demand for labour power is maintained. After the introduction of the minimum wage, this balance is disturbed and leads to an increase in the number of unemployed. However, in practice this does not always happen. There is a scientific basis for this. First of all, the minimum wage does not have that effect on the entire labour market. Therefore, if it acts on the primary market, then such influence does not occur on the secondary. This is directly related to the non-observance of normative documents on the minimum wage. For example, you can hire an employee for a temporary or seasonal job without concluding an employment contract.

O. Ashenfelter and R. Smith have their own views on the problem of a significant reduction in the level of employment with the introduction of the minimum wage. This situation was called the model of discriminatory hiring, violating the law on minimum wage. At the conclusion of these scientists, if employers pay their employees less wages than the minimum wage stipulated in the law, they can be fined. This amount of fine (risk factor) for wages will fulfill the task of a kind of tax, will reduce the demand for labour power, as part of the workers continue to work, and the level of employment does not fall sharply. Therefore, the newly hired will receive a lower salary.

It is precisely the different pay for equal work that is a discriminatory hiring model. The result is a reduction in labour demand, a fine to an employer who violates the law on minimum wages.

Perfect competition in the labour market is usually not the rule, but the exception. Imperfect competition is common in many labour markets. The imperfect form of the labour market in economics is called *monopsony* and occurs under the following conditions:

– on the labour market, on the one hand, there is a significant number of skilled workers who are not united in a trade union, and on the other, either one large monopsonist company or several companies united in one group and acting as a single employer;

– this company (group of companies) hires the main part of the total number of specialists of some profession;

– this type of labour does not have high mobility (for example, due to social conditions, geographical separation, the need to acquire a new specialty, etc.);

– the monopsonist firm itself sets the wage rate, and workers either have to agree with this rate or look for another job.

A labour market with elements of monopsony is not uncommon. Especially often, such situations develop in small towns where only one large firm operates – the employer.

International Labour Organization Convention No. 131 states that minimum wages shall have the force of law and shall not be subject to abatement, and failure to apply them shall make the person or persons concerned liable to appropriate penal or other sanctions.

The elements to be taken into consideration in determining the level of minimum wages shall, so far as possible and appropriate in relation to national practice and conditions, include:

a) the needs of workers and their families, taking into account the general level of wages in the country, the cost of living, social security benefits, and the relative living standards of other social groups;

b) economic factors, including the requirements of economic development, levels of productivity and the desirability of attaining and maintaining a high level of employment[1].

In general, the minimum wage is that the employee receives a monthly minimum wage for the fulfillment of a certain standard (labour obligation) for a certain time. According to the norms of the International Labour Organization, the minimum wage should not be less than 3 US dollars per hour. This level of minimum wage should be enough to pay 10 thousand kW/h of electricity or to buy 600 kg of bread.

The law on the minimum wage was first adopted in Australia in 1884, in 1896 – in New Zealand. In 1909, they were joined by the United Kingdom. Similar laws adopted in Austria, Belgium, Germany, Norway, France, the Czech Republic and Slovakia were mainly aimed at social protection of domestic workers.

After World War II, the scope of the law on minimum wages increased significantly (tab. 13.6). Adopted in 1950 in France, the Law "On interprofessional guaranteed minimum wage" practically covered all workers of the country. In France, the minimum wage is accepted annually after the conclusion of an agreement with the National Collective Bargaining Commission (it consists of only 36 members – 16 from employers and workers, from the association of households – 3).

Table 13.6

Determination of the minimum wage in foreign countries

Country	Goals and objectives of the definition	Minimum wage, USD	Minimum wage,% of average wage
Australia	To maintain the minimum wage for a number of economic sectors (weekly)	6,65	54,0
Belgium	According to the agreement of the National team	6,40	50,0
France	At the national level (hourly)	5,56	57,0

[1] ILO Convention No. 131. Minimum Wage Fixing with special regard to the needs of developing countries. – URL: http: // www.ilo.org/ilolex/russian/docs/ conv131.htm

Japan	For each prefecture (hourly, daily)	3,38	31,0
Netherlands	At the national level (daily, weekly, monthly)	6,0	49,0
Spain	At the national level (monthly)	2,94	32,0
United States	At the federal and state levels (hourly)	5,15	38,0
United Kingdom	At the national level (hourly)	5,44	44,0

In the United States, there is a procedure for determining the minimum wage at the federal and state levels. At the same time, the minimum wage amounts to 35-50% of the average wage. It is envisaged that such a minimum wage level should provide for an employee and three members of his family to live above the poverty level established by the administration.

In the United States, the minimum wage varies by state. For example, in Alaska, its amount per hour is 7.0 dollars (which is 1.85 dollars above the federal level), in Houston and Detroit, considered to be aerospace and automobile centers, is 11.0-12.0 dollars. In 11 states of the country, the minimum wage is set below the federal level.

Analyzes of experts from the United States show that the increase in the minimum wage is beneficial for skilled workers (because wage rates are completely revised when changing the minimum wage), and the market for unskilled workers is adversely affected. Therefore, the Fair Labour Standards Act adopted in the United States provides for establishment of a minimum wage of 75.0% of the national level for young people combining school and work, and for disabled people – its use at reduced rates based on their productivity.

In Japan, the minimum wage is accepted by the Central and 47 Prefectural Councils (they include hired employees, employers, and their representatives).

The experience of various countries of the world shows the advantages and disadvantages of establishing a minimum wage (table 13.7).

Studies conducted in the United States indicate a more rapid growth in the annual and average payroll, as well as the level of employment in those state companies where the minimum wage is set[1]. However, analysis of the United Kingdom market shows that price increases are observed in those sectors of the national economy that regulate the amount of the minimum wage[2].

[1] q.v.: Fiscal Policy Institute // States with Minimum Wages above the Federal Level have had Faster Small Business and Retail Job Growth. – 2006. – March 30.

[2] q.v.: Wadsworth J. Did the National Minimum Wage Affect UK Prices (September 2009). Low Pay Commission (2005).

Reducing the level of wages, reducing its share among the population in income derived from labour activity, sharply limits the possibilities of wages when performing their economic functions. As a result, wages have a negative effect on the standard of living of the worker and his family members, does not contribute to reproduction of labour power and ceases to stimulate high-productivity work.

The current legislation of the Republic of Uzbekistan does not allow employee remuneration below the minimum wage. The minimum wage has been established in the country since 1992. (fig. 13.8).

Table 13.7

Advantages and disadvantages of establishing a minimum wage

Advantages of establishing a minimum wage	***Disadvantages of establishing* a minimum wage**
Increases living standards for the poorest and most vulnerable people and raises the average standard of living.	Reduces competition in the labour market, prevents firms from reducing costs during economic downturns, leads to economic inefficiency
Motivates and inspires employers to work harder (unlike social programs and other similar payments)	Establishment of a minimum wage in excess of the equilibrium wage rate for a given labour market leads to a decrease in employment and an increase in unemployment
Stimulates consumption by increasing the money supply in the hands of poor people	Reduces labour power demand, either by reducing working hours or reducing jobs
Stimulates diligence from those who receive little, as the employer demands more from them for more money	Leads to price inflation, as the business seeks to compensate for the loss, laying them in the price
A business may spend less on training its employees, due to reduced staff turnover	Encourages certain workers at the expense of the poorest and least productive
Reduces social expenditures of the state due to increased incomes of the poorest segments of the population	May lead to exclusion of certain groups from the labour market.

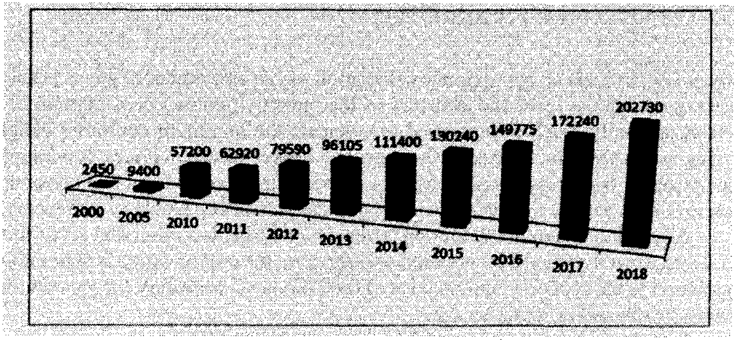

Fig. 13.8. Dynamics of growth of the minimum wage after the introduction into circulation of the national currency of Uzbekistan (in soum)

From November 1, 2018, the minimum wage in Uzbekistan amounts to 202,730 soums. All types of allowances and supplements to wages and pensions, compensation and other payments are made on the basis of the minimum wage. Starting from January 1, 2019, in order to advance the wage growth of low-paid workers, the tariff coefficients of the Single tariff rate for labour remuneration were revised. The tariff coefficients were increased by 10% for the lower categories of the Single tariff rate, including 15% for the 1st category, 10% for the 2nd category, and 5% for the 3rd category. The ranks for remuneration of workers through professions employed in organizations supported by the state budget of the Republic of Uzbekistan were also updated.

Together with international financial institutions, the Concept of further improvement of the wage system in budgetary organizations is being developed, which provides for a closer relationship between the wage rate and its results, complexity and responsibility of the labour functions performed.

Consumer basket is an approximate calculation set, an assortment of goods characterizing the typical level and structure of the monthly (annual) consumption of a person or family. Such a set is used to calculate the minimum consumer budget (living wage) based on the cost of the consumer basket in current prices. In addition, the consumer basket serves as a basis for comparing calculated and real consumption levels, as well as a basis for determining the purchasing power of currencies.

According to another definition, a consumer basket is a minimum set of food products, as well as non-food products and services, the cost of which is determined in relation to the cost of a minimum set of food products, necessary for maintaining human health and ensuring his life.

President of the Republic of Uzbekistan Shavkat Mirziyoyev noted that on the basis of international best practices, it is necessary to consolidate in the legislation and create mechanisms for the practical application of consumer basket definition, which is necessary for identifying the level of income sufficient for a decent life for the population[1].

Consumer basket in different countries is calculated differently. Moreover, the level of living, the practical consumption of goods, the use of services and their prices, household incomes, the level of socio-economic development of the country and other factors are taken into account.

There are several types of consumer baskets in the world practice.

The living wage is the cost value sufficient for ensuring the normal functioning of the human body and maintaining his health, a set of food products, as well as a minimum set of non-food goods and services, necessary for satisfying the basic social and cultural needs of the individual.

Consumer Price Index (CPI) is one of the types of price indices created to measure the average level of prices for goods and services (consumer basket) for a certain period in the economy. This is a key way to measure changes in shopping trends and inflation in the United States.

The minimum consumer budget is the cost of a set of food and non-food goods and services, which ensures the satisfaction of the basic physiological and sociocultural needs of a person. In fact, this is the cost of a minimal consumer basket. The minimum consumer budget determines the lower limit of the cost of living in a given society, followed by poverty.

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[1] Address of the President of the Republic of Uzbekistan Shavkat Mirziyoyev to the Oliy Majlis // Narodnoye slovo (People's word). – December 23, 2017.

Based on its social policy and economic opportunities, each state takes the corresponding type of consumer basket as a social norm. If to consider the experience of developed countries of the world as a social norm for implementation of social policy, then the consumer basket of the minimum size of living and a rational budget is mainly used (table 13.8).

Table 13.8

Minimum monthly income established for 2018 for living in developed countries of the European Union

Place	Country	Minimum wages, Euro
1	Luxembourg	2 000
2	France	1 254
3	Germany	1 240
4	Finland	1 170
5	United Kingdom	1 087
6	Netherlands	1 080
7	Belgium	1 030
8	Austria	1 010
9	Italy	855
10	Spain	645

For example, in the United States, per capita consumer rates are determined based on average wages. Currently, it amounts to 15,080 USD per year for an 8-hour, 5-day week. The minimum amount for accommodation is approximately 60% of the monthly income of the population. In this country, a person with a monthly income of 800-900 USD immediately receives social assistance from the state.

The consumer basket definition is not used in the United States. In this country, each state defines a set of goods and services per capita. In general, during this calculation, the set of consumer basket covers about 300 types. Most of them are food products.

Along with this, there is a Food Plan in the United States, developed by the Department of Agriculture. Calculated targets are the basis for issuing food stamps to low-income citizens.

In Germany, the consumer basket is developed by the Federal Statistical Office. In 2018, it included 750 types of goods and services. Based on changes in the needs of the country's population, specialists of the Federal Statistical Office are constantly updating the goods and services included in this basket. Wherein, the standards established in the European Union are taken into account. For example, a consumer basket includes raising children in kindergartens, caring for the sick, the cost of caring by the state for single people and people with disabilities, even the cost of delivering food products to homes.

The countries of the Commonwealth of Independent States also have experience in establishing a consumer basket. In 2012, the Russian Federation adopted a new edition of the law "On the consumer basket in the Russian Federation". This document defines the types and quantity of food products per capita in three categories of the population: able-bodied citizens, pensioners, and children (table 13.9).

In Russia, the consumer basket is considered every five years. Half of it is made up of food products, non-food products – 25%, services – 25%.

In Kazakhstan, the consumer basket definition is also used. It is developed on the basis of scientifically based food consumption standards. Non-food goods and services account for 45% of the total. This means that in the consumer basket food products make up 55% of its total volume[1].

In the Action Strategy for five priority areas of development of the Republic of Uzbekistan in 2017-2021, in the Year of Supporting Active Entrepreneurship, Innovative Ideas and Technologies, legal regulation of issues regarding the consumer basket is provided in order to determine the amount of income necessary for decent living conditions of the population[2].

Table 13.9

Types and quantities of food products per capita, included in the consumer basket of the Russian Federation

Food products	Consumer rate per year per capita, kg		
	Able-bodied population	Pensioners	Children
Bread products (based on bread and pasta, flour, cereals and legumes)	126,5	98,2	77,6
Potatoes	100,4	80,0	88,1

[1] Consumer basket and the minimum amount needed to live. – URL: https://www.norma.uz/uz/bizning_sharhlar/istemol_savatchasi_va_tirikchilik_uchun_zarur_eng_kam_miqdor_tuzih_chogida_nimalar_hisobga_olinadi

[2] Decree of the President of the Republic of Uzbekistan of January 22, 2018 "On the State Program for the Implementation of the Action Strategy for five priority areas for development of the Republic of Uzbekistan in 2017-2021 in the Year of Supporting Active Entrepreneurship, Innovative Ideas and Technologies // Narodnoye Slovo (People's word). – 2018. – January 24.

Vegetables and gourds	114,6	98,0	112,1
Fresh fruits	60,0	45,0	118,1
Sugar and confectionery (calculated on granulated sugar)	23,8	21,2	21,8
Meat products	58,6	54,0	44,0
Fish products	18,5	16,0	18,6
Milk and dairy products (calculated on milk)	290,0	257,8	360,7
Eggs, pcs.	210	200	201
Butter, margarine and other oils	11,0	10,0	5,0
Other products (salt, tea, seasonings)	4,9	4,2	3,5

The Ministry of Economy and Industry, Finance, Employment and Labour Resources, Innovation Development, as well as the Council of Ministers of the Republic of Karakalpakstan, khokimiyats of the regions and Tashkent were involved for development of legal regulation of issues related to the consumer basket.

The following will be provided in the country when developing a consumer basket:

- demographic factors (family composition, population composition, gender and age structure);
- socio-economic factors (actual consumption in families of food and non-food goods, services);
- the need for all population groups, their income level;
- scientific recommendations on the minimum volume of consumption for ensuring the preservation of human health and vital activity, as well as on the list of necessary goods and services;
- financial capabilities of the state for ensuring social protection of the population;
- real market price of goods and services, etc.

When determining the minimum volume of goods and services necessary for living of different segments of the population, it is necessary to determine consumer norms included in the consumer basket of all the benefits (for example, the set and quantity of food products needed by the population for living or money for payment of utility services).

Legal regulation of consumer basket issues in the country will allow for the phased compliance of real incomes of the population, the minimum wage, the payment of pensions, benefits and other payments with the minimum standard for living.

13.8. Stimulation of Labour

Personnel motivation is one of the ways of increasing labour productivity. Motivation of labour of the personnel is a key area of personnel policy of any enterprise. The most effective employee motivation system is the motivation for the result. Employee performance is determined using key performance indicators (KPI). KPI and personnel motivation can significantly improve the efficiency and productivity of the company. Most theorists of motivation systems came to the conclusion that only motivation for the result is a perfect system, since it justifies the business of paying remuneration, and gives employees the opportunity to receive and increase income in a clear dependence on the efforts made.

The main levers of motivation are incentives and motives.

Stimulation of labour is primarily an external motivation, an element of the labour situation that affects human behavior in labour activity, the material shell of staff motivation. At the same time, it carries an intangible load that allows the employee to realize himself as a person and employee at the same time. Stimulation performs economic, social and moral functions.

The economic function is expressed in the fact that the stimulation of labour helps to increase production efficiency, which is expressed in increasing labour productivity and product quality.

Moral function is determined by the fact that incentives to labour form an active life position, highly moral climate in society. At the same time, it is important to ensure the correct and justified system of incentives, taking into account tradition and historical experience.

Social function is provided by formation of the social structure of society through a different level of income, which largely depends on the impact of incentives on different people. In addition, the formation of needs, and, as a result, the development of personality are determined by formation and stimulation of labour in society.

Incentives for labour in the broad sense are all types of payments and premiums received by the employee for legal labour activity, in the *narrow sense*. These are payments for labour costs of the employee. Labour stimulation in it at the macro level, incentives through budgetary funding for successful implementation of state functions, social services, at the micro level, bonus payments to personnel of enterprises, organizations and institutions of various forms of ownership.

There are two types of labour stimulation – external and internal.

External labour stimulation covers all forms of the employer's influence on increasing employee productivity. They happen (fig. 13.9):

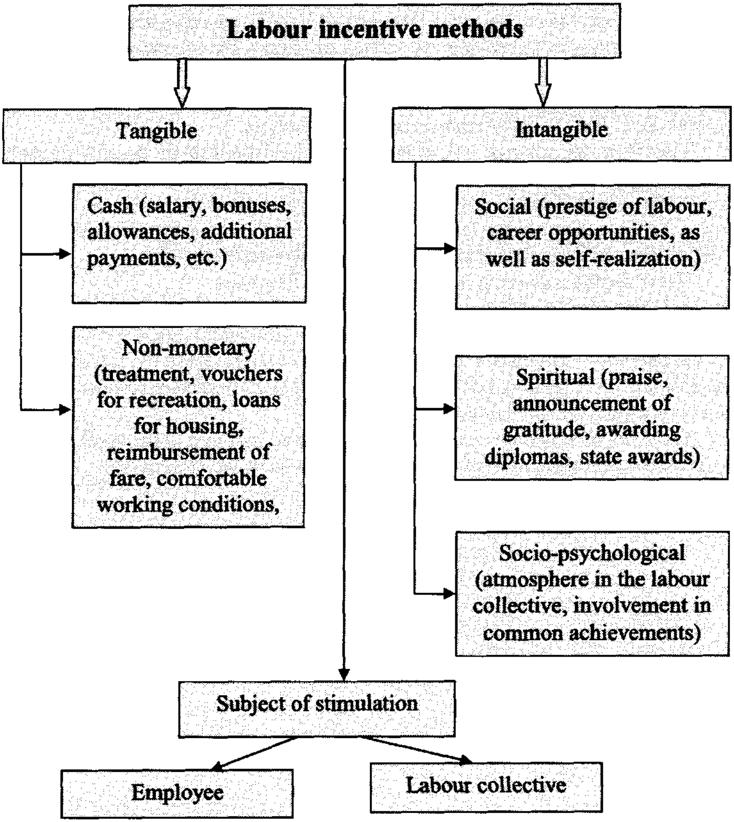


Fig. 13.9. Labour incentive methods

These forms of influence are:

- participation of personnel in decision making;
- assignment of high responsibility to personnel;

- provision of freedom and guarantees in labour activity;
- creation of conditions for career growth;
- ensuring diversity of labour activity.

The current legislation of the Republic of Uzbekistan represents great powers to business entities in improving production efficiency by enhancing labour motivation. Article 19 of the Law of the Republic of Uzbekistan "On Enterprises" states that an enterprise independently determines the forms, systems and amount of remuneration, as well as other types of employee income.

Therefore, the rational use of material and spiritual methods of stimulating labour is required. By properties, both of these types are considered effective. However, the strength of their influence depends on the place of influence, time and subject. At the same time, the level of development of the economy, the social status of the employee, financial situation, gender and age are important.

There are the following labour stimulation functions:

1. *Economic*. Stimulation serves to increase labour productivity and economic thrift, overall production efficiency, and improve product quality.

2. *Spiritual*. Stimulation serves the employee's interest in his activity, initiative, efficiency, professional development, as well as formation of responsibility for his labour results and the labour collective.

3. *Social*. Stimulation is aimed at achieving an increase in the level and quality of life through formation of the needs and values of the employee.

CHAPTER XIV.

LABOUR EFFICIENCY, ITS FACTORS AND RESERVES

14.1. LABOUR PRODUCTIVITY AS THE MAIN CRITERION OF EFFICIENCY

Labour productivity is an indicator characterizing labour effectiveness. Labour efficiency indicator displays the numerical value of the quantity of production per unit of time.

Labour productivity is measured by the amount of output produced by the employee per unit of time. The reciprocal, the labour input, is measured by the amount of time spent per unit of output. Usually, labour productivity in economic statistics refers to actual labour productivity. However, in economic cybernetics, in particular, in the model of Stafford Beer's viable systems, the definitions of cash and potential labour productivity are introduced. The most important indicators of the use of working capital at the enterprise are the regulation of working capital turnover and the time of one turnover. Acceleration of working capital turnover leads to the release of working capital of the enterprise from circulation. On the contrary, a slowdown in turnover leads to an increase in the company's need for working capital. Acceleration of the turnover of working capital can be achieved through the use of the following factors: the leading growth rate of sales compared to the growth rate of working capital; improvement of supply and marketing systems; decrease in material and energy intensity of products; improving the quality of products and their competitiveness; reducing the duration of the production cycle, etc. Increasing *labour productivity* means saving labour costs (working time) on the production of a unit of production or an additional amount of production per unit of time, which directly affects the improvement of production efficiency, since in one case current costs for production units of production under the article "Wages of the main production workers", and in another, more products are produced per unit time, are reduced.

Efficiency of labour activity expresses the degree of labour productivity at the lowest labour costs. Labour efficiency shows not only quantitative and qualitative results of labour. Another important advantage of the indicator of labour efficiency is the reflection in it of the saving of labour resources.

Efficiency of labour activity will be the higher, the higher labour productivity and the lower labour costs with the required quality of work. For the employer, it is important not only what the level of production of the employee per unit of time was, but also by what labour costs this was ensured. Psychophysiological and social efficiency of labour activity are distinguished.

Psychophysiological efficiency of labour activity is determined through the influence of the labour process on the human body. From this point of view, only substantive labour with a certain productivity, provided with non-harmful, sanitary and hygienic conditions, protected from the negative effects of production, and increasing physical and mental potential can be considered effective.

This implies the essence of *social efficiency of labour*. This category covers such requirements as harmonious development of the personality of each employee, his qualifications and skills, increasing social and labour activity, improvement of lifestyle, formation and preservation of a positive environment for the labour collective. Labour efficiency and labour productivity are general concepts (fig. 14.1).

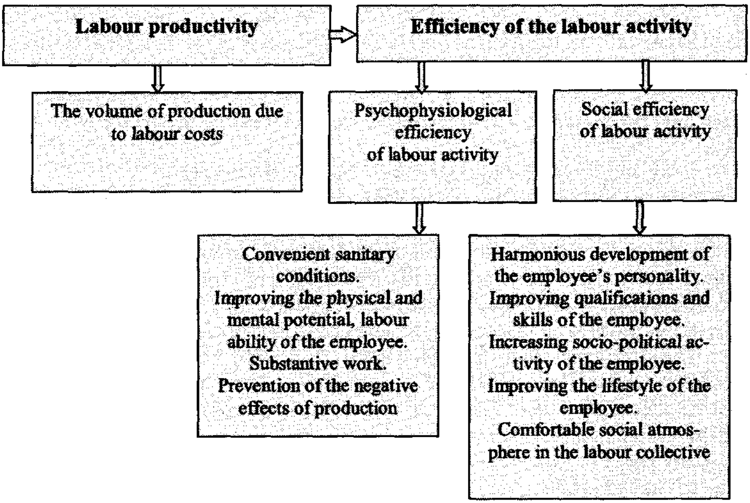
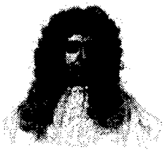


Fig. 14.1. The essence of labour productivity and efficiency of labour activity

Labour productivity is measured by the amount of output produced by the employee per unit of time. Its inverse value, *labour input,* is determined by the amount of time spent on a unit of production.

Scientific and methodological foundations of labour productivity are formed by representatives of the classical school of economic theory. The founder of this school in England, W. Petty, considered labour productivity as one of the sources of income. He pointed out that to increase labour productivity it is necessary to work selflessly or to reduce labour costs, or to facilitate it.



William Petty (1623–1687) was the founder of the classic school of economics in England.
Works:
Treatise on Taxes and Contributions. – M.: Os 89, 1997

A. Smith made a great contribution to the theory of labour productivity. He in his work "An Inquiry into the Nature and Causes of the Wealth of Nations" clarified the concept of labour productivity, revealed its role in the economic development of society. In his opinion, the division of labour is the reason that stimulates productivity. The division of labour increases productivity in three ways:

1) by increasing the agility of each individual worker;

2) by saving time in transition from one type of activity to another;

3) stimulating the invention and production of machines that facilitate and reduce human labour. Development of production determines the entire welfare of the country. The classic argued that the volume of production and consumption of products is determined by two main factors: the share of the population engaged in productive labour and the level of labour productivity.

The economic theory of labour productivity has been deeply studied by representatives of the neoclassical school. One of them was J. Clark, who created the theory of *peak of labour productivity*. In his book "The Distribution of Wealth", he noted that entrepreneurs seek to increase profits, so they will not bring any profit or loss, but labour productivity will become low, they will continue to expand production[1].

The scientific foundations of labour productivity have been deepened by J. Keynes, P. Drucker, P. Samuelson, M. Todoro and other scientists. And M.

[1] q.v.: Kireyev A.P. Applied Macroeconomics. – M.: International Relations, 2006. – P. 34.

Porter introduced into scientific circulation the concept of general state productivity. He pointed out the need to increase labour productivity not only in manufacturing, but also in all other sectors of the national economy. In his opinion, the weightier a country is in the global market sectors, the sooner labour productivity will grow in this country.

Michael Eugene Porter (born in 1947) is a famous American scientist-economist, professor at Harvard Business School, the founder of the theory of competitive advantage of the country.
Works:
Interbrand Choice, Strategy, and Bilateral Market Power Harvard Economic Studies). – Cambridge, Mass: Harvard University Press, 1976

When analyzing the economic nature of labour productivity, it must be remembered that the labour expended on the production of products (provision of services) consists of living labour expended directly in the course of labour activity and materialized labour, i.e., previously created, used currently.

The function of living labour consists not only in creation of new values, but also in translation of the production of working time materialized in the subject elements to a newly created product. Therefore, the productive potential of living labour is reflected in the ability to create new consumer value. The general tendency to increase labour productivity consists in the fact that with a decrease in the share of living labour in production, the share of materialized (raw materials) labour increases. However, this reduces the total amount of labour expended per unit of production. This is precisely the essence of labour productivity.

There are various approaches to the definition of indicators of labour productivity. In practice, the choice of these indicators, firstly, depends on the level of labour productivity in certain industries; secondly, from the task assigned to the economic service of the enterprise to determine labour productivity.

The most general approach to determining labour productivity can be expressed by the formula:

$$P_l = P/L,$$

where P_l – labour productivity;

P – product in one form or another;

L is the cost of living labour.

At the same time, actual, cash and potential labour productivity are distinguished.

Actual labour productivity (production) is inversely proportional to the complexity and is determined from directly observable data by the formula:

$$P_{fact} = \frac{Q_{fact}}{t_{fact}}$$

where Q_{fact} is the actual output in units of this type of product;

t_{fact} is the actual cost of living labour per unit time.

Cash productivity is a calculated value that shows how much production can be produced under current conditions (for example, using existing equipment from available materials) in case all downtime and delays are reduced to zero. Cash productivity is determined by the formula:

$$P_{cap} = \frac{Q_{cap}}{t_{cap}}$$

where *Qcap* is the maximum achievable under current conditions production of products in units of measurement of this type of product (cash production);

tcap is the minimum living expenses required in the current conditions per unit time (available labour input).

Potential labour productivity is a calculated value that shows how much production can be produced theoretically achievable under given environmental conditions, at a given level of civilization development (for example, from the best materials available on the market using advanced technologies and installation the most modern equipment available on the market) in case all downtime and delays are reduced to zero. Potential labour productivity is determined by the formula:

$$P_{pot} = \frac{Q_{pot}}{t_{pot}}$$

where *Qpot* is the maximum output in given environmental conditions at a given level of civilization development in units of measurement of this type of product (potential output);

tpot is the minimum necessary labour costs in given environmental conditions at a given level of civilization development in units of time (potential labour input).

As a rule, two indicators are calculated in plans for the growth of labour productivity: 1) output – the amount of output produced per unit of working time; 2) labour intensity – the amount of working time spent on the manufacture of a unit of production. Development is the most common indicator of accounting the level of labour productivity:

$$W = Q / \mathrm{T},$$

where W is the output;

Q is the volume of production;

T is the cost of working time.

With the *natural method* of calculating output, the volume of work performed is expressed in natural units. This method most clearly characterizes the level of labour productivity, however, it is applicable only for homogeneous products.

Under the *conditionally-natural method* of calculating output, the volume of work performed is expressed in conditionally-natural units. The conditionally-natural method is applicable for calculating the indicator of the level of labour productivity in the production of heterogeneous, but similar products.

The labour method for measuring labour productivity assumes that the volume of work performed is measured in worked-out standard hours. The labour method is applicable to all types of products, regardless of the degree of their readiness and is widely used in the study of the relative changes in labour productivity.

When measuring labour productivity by the labour method, the time standards for producing a unit of production or selling a unit of goods are used:

$$LP = O \cdot L,$$

where LP is labour productivity measured by the labour method;

O is the number of manufactured products (operations);

L is the normative labour input of a unit of product or operations (standard hours).

However, this method requires the stability of applicable standards, while the latter are constantly changing as the organizational and technical working conditions improve.

In practice, the most common is the *cost method* of measuring labour productivity, based on the use of cost indicators of the volume of output. The advantage of this method lies in the possibility of comparing heterogeneous products with costs of their manufacture both within the framework of one enterprise, industry, and throughout the country.

With the cost method, labour productivity is calculated by dividing the volume of output by the average number of employees:

$$Э_{li} = \frac{\sum Q}{\sum R},$$

where E_{li} - labour efficiency is individual;

$\sum^{Q}$ is the total amount produced in the cost of expression;

$\sum^{R}$ is the total producer resource costs in cost terms.

The cost method of measuring labour productivity has a number of varieties, depending on different cost expressions of the manufactured products (commodity, gross, sold, net, normative-net production, standard cost of processing).

Labour productivity indicators calculated on gross, commodity, sold products have similar advantages and disadvantages. Their main drawback is that these indicators are not free because, when changing the range of products, the cost of raw materials and materials, changing the specific gravity of semi-finished products, components obtained from other enterprises, the production rate may increase or decrease. Changes in the level of labour productivity may in such cases be unrelated to an improvement or deterioration in the activity of a given enterprise.

The essence of the method of measuring labour productivity on the basis of the standard cost of processing is that not the wholesale price is accepted for estimating the volume of output, but only the part that conditionally characterizes only the cost of living labour. The indicator of the normative cost of processing does not include the cost of materials, semi-finished products, general production costs, that is, that part of material costs, the value of which mainly depends on the activities of this enterprise.

At the present time, great importance is attached to measuring labour productivity for *conditionally pure products*, which provides a more complete reflection of the work of this enterprise, since this indicator eliminates the distorting effect of assortment shifts, coordinated deliveries, and eliminates the recalculation.

Measurement of labour productivity can also be carried out on the basis of *normatively pure products*. Normative-net production is defined as the sum of salaries of workers with accruals plus the amount of salaries with accruals of other categories of industrial-production personnel, plus standard profit, established by the profitability ratio. On the basis of this, the calculation of the level of labour productivity is determined by the ratio of the volume of production of normatively pure products to the number of industrial production personnel of the enterprise.

The magnitude of labour costs for the production of a certain volume of production can be measured by the number of man-hours worked, man-days, as well as the average number of employees per month, quarter, year. At the same time, hourly, daily (monthly, quarterly, annual) labour productivity is calculated.

Hourly production characterizes labour productivity during each hour of work.

Daily production depends on the level of hourly production and the actual duration of the working day. The level of the monthly (annual) production depends not only on the hourly production and duration of the working day, but also on how many working days are there per average employee per month (year).

As the second indicator of labour productivity, *labour intensity* is used, which is calculated on a unit of production and on the entire commodity output. Normative, planned and actual labour intensity are distinguished.

Normative laboriousness is labour costs for production of a unit of production or implementation of a certain volume of work according to current standards.

Planned laboriousness reflects labour costs per unit of production or the performance of a certain amount of work, established taking into account changes in standards in the planning period as a result of implementation of organizational and technical measures.

Actual labour input is determined by the actual prevailing labour costs.

For justifying the planned targets for the growth of labour productivity, the number of employees, the total labour intensity of products is determined – this is the labour costs of all categories of industrial production personnel for the production of a unit of production.

The labour input consists of the technological complexity of the labour input, the complexity of maintenance and the complexity of management.

Production labour input is defined as the sum of technological labour input and labour input of service. This is the labour cost of all workers for production of a unit of production.

In developed countries, the labour productivity of each employee is constantly announced. It is calculated as the share of each employee engaged in labour activity in the national gross domestic product (fig. 14.2).

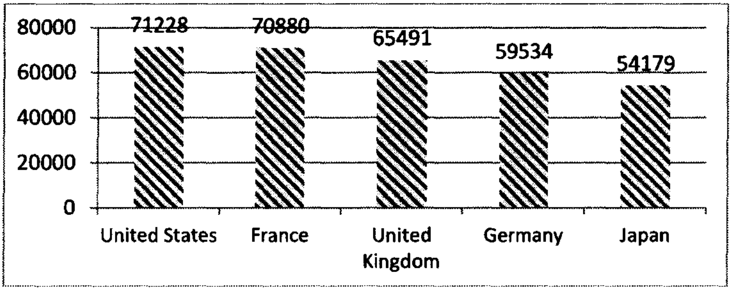


Fig. 14.2. The level of labour productivity in developed countries of the world (the share of each employee in the volume of gross domestic product, i n US dollars)

The volume of work performed by the employee is measured by its development. *Production* is an indicator of the volume of products (work performed, services rendered) and reflects the volume of manufactured products per unit of labour costs. The development formula is as follows:

$$P = Q / L,$$

where P is the rate of production;

Q is the volume of output;

L is labour costs of a given volume of production.

Production can be calculated per unit time. So, the average hourly output is determined by the formula:

$$P_{hour} = Q / T,$$

where Q is the volume of production;

T is the actual number of man-hours worked by workers.

The average daily output is determined by the formula:

$$P_{day} = Q / T,$$

where Q is the volume of production;

T is the actual number of person-days.

The average monthly (quarterly, annual, etc.) production is determined by the formula:

$$P_{month} = Q / N,$$

where Q is the volume of production;

N is the average number of workers per month.

14.2. Factors and reserves of increasing labour productivity

Factors of changes in labour productivity are the reasons for the change in its level. In the practice of planning and accounting at most operating Russian enterprises, all factors of changes in labour productivity are classified according to the following main groups (table. 14.1):

Table 14.1

Labour productivity factors

Scientific and technical	Organizational	Structural	Social
Introduction of new technologies. Mechanization and automation of production. Changing the park structure or equipment modernization. Changing the design of products, the quality of raw materials, the use of new types of materials. Other factors	Increasing standards and service areas. Specialization of production and expansion of the volume of supplies. Changing the real fund of working time. Reduction in loss from defective products. Decrease in the number of workers who do not comply with the norms. Other factors	Changing production. Changing the specific gravity of certain types of products and individual productions in the total volume. Other factors	Changing the quality level of staff. Changing the attitude of workers to work. Changing the working conditions. Other factors

– regional economic factors (climatic conditions, their changes, the balance of workplaces and labour resources) and economic-geographical factors (availability of local building materials, free labour resources, electricity, water, terrain, distance to communications and etc.);

– factors for accelerating scientific and technical progress (changing the technical level of production, introducing new generations of highly efficient equipment, using advanced technologies, using automated systems in design);

– economic factors (improvement of management, organization of production and labour; planning and personnel management and etc.);

– structural shift factors (changes in the volume and structure of production, changes in the share of purchased semi-finished products and components, changes in the specific gravities of certain types of products);

– social factors (human factor, reduction in volumes of monotonous, harmful and hard work, other factors).

Reserves of labour productivity growth are the unused yet real opportunities for saving labour resources.

Internal production reserves of labour productivity growth are identified and implemented directly at the enterprise. These include:

– reducing the labour input of manufacturing products (technological, industrial and complete);

– reserves for improving the structure, increasing the competence of personnel and better use of labour power;

– improving the use of working time (introduction of scientific organization of labour, reducing staff turnover);

– saving material resources, objects of labour and means of labour.

According to the time of use, reserves for the growth of labour productivity are divided into *current and prospective*.

Current reserves can be realized in the near future and, as a rule, do not require significant one-time expenses. These include the best use of equipment, elimination or reduction of marriage, the use of the most rational and efficient wage systems, and improvement of the organization of labour at the enterprise.

Prospective reserves for the growth of labour productivity usually require the restructuring of production, the introduction of new technologies, etc. For this, additional capital investments and significant terms of work are required.

Labour input is an indicator characterizing the cost of living labour, expressed in working time spent on production of products (services). Labour input is measured, as a rule, in standard hours (actual hours of work spent on the production of a unit of work). The indicator is the inverse of labour productivity and is calculated by the formula:

$$L = Wt / Np,$$

where L is labour input;
Wt is working time;
Np is the number of manufactured products.

The labour input of the product is the cost of working time for production of a unit of production in physical terms over the entire range of products and services. With a significant range of products, the complexity is usually determined by products-representatives, to which all the others are given, and the products that occupy the largest share in the total output.

The *labour input of production* is an economic indicator that characterizes the level of labour productivity and is measured by the total costs of working time (in norm-hours, man-hours) per unit of production or work. The lower the labour input of the product, the higher the output. With the help of labour, it is possible to determine and measure the actual labour costs of various types of products. In addition, this indicator allows to determine labour costs for finished products, work in progress and take into account changes in the assortment.

To determine the labour input of a unit of production, the costs of all production are divided by the volume of output for a certain period.

Normative labour input is calculated on the basis of current labour standards: norms of time, norms of production, norms of time of service and norms of numbers. It is used to determine the total amount of labour required for the manufacture of individual products, and implementation of the entire production program.

Actual labour input is the sum of the labour costs spent on the output volume or the volume of work performed.

The planned labour input differs from the normative one by the amount of reduction in labour costs planned in the current period due to the implementation of organizational and technical measures.

For planning and analysis of labour, the labour-cost of individual operations, products, and work is calculated.

The technological labour input of Tl is determined by the labour costs of the main workers – pieceworkers and time workers. The technological formula of labour input includes labour costs only of workers directly manufacturing products:

$$T_{tech.} = L_{time} + L_{piece},$$

where L_{time} is labour costs of employees working using the time-based system;

L_{piece} is labour costs of employees working on the piecework system.

The labour input of the maintenance L_o is the cost of labour of auxiliary workers of the main workshops and all workers of auxiliary shops and units engaged in the maintenance of production.

The production labour input L_{pr} consists of the labour input of the technological and maintenance, that is, it is the cost of labour of the main and auxiliary workers to perform a unit of work. Production labour intensity is calculated by the formula:

$$T_{pr} = T_{tech} + L_{serv},$$

where T_{tech} is technological labour input;

L_{serv} is serving labour input.

The labour input of management L_y consists of the labour costs of managers, specialists, employees. One part of such costs, which is directly related to the manufacture of products, directly relates to these products, another part of costs, which is not directly related to the manufacture of products, relates to them in proportion to the labour input.

Total complexity of products L_t reflects all the labour costs for the manufacture of each product and all products in total. It is determined by the formula:

$$L_t = L_t + L_o + L_y = L_{pr} + L_y.$$

The total labour input in the manufactured products is determined by the formula:

$$L_p = L_{pr} + L_o + L_b.$$

The labour input of a unit of production is determined by the formula:

$$H = T / V,$$

where H is the hours worked of all categories of employees;

T is the total capacity of the product;

V is products manufactured by the enterprise in physical terms (pcs., t, l., etc.).

The indicator characterizing the level of wages is the *average wage*. Its changes affect the expenditure of the salary fund, the cost of production. The average salary, as a rule, depends on labour productivity. In principle, an increase in labour productivity is the main source of increasing average wages. At the same time, the average salary actively affects the level of labour productivity.

For expanded reproduction, obtaining necessary profit and profitability of production, it is necessary that the growth rate of labour productivity outstrips the growth rate of its payment. If this principle is violated, this leads to an over-expenditure of the salary fund, an increase in the cost of manufactured products and a decrease in profits, and "consumption" of national income.

The ratio between the growth of labour productivity and average wages can be established by the coefficient of outstripping the growth of labour productivity of the average wage, which is calculated as the ratio of the percentage of growth in labour productivity to the percentage of growth in average wage.

With the outstripping growth rate of the average salary over the growth rates of labour productivity, it is necessary to analyze the composition of the salary fund by elements, paying particular attention to wages not related to the volume of production.

In order to maintain a high level of remuneration and competitiveness of products, an enterprise must have higher labour productivity by reducing labour costs.

The ratio of the growth rates of labour productivity and average wages, as noted above, has a direct impact on the cost of production. An increase in the growth rate of the average wage leads to an increase in labour costs by one ruble (by the example of Russia) of output. Labour costs per ruble of the volume of production are calculated as the ratio of the salary fund to the volume of production at current prices of the corresponding year.

The change in cost due to changes in the level of labour costs by one ruble of production volume Iseb is determined by the formula of labour productivity

$$Cc = (Sfry - Sfpy) / 100 \cdot Pry,$$

where Sfry is salary funds per ruble of production volume in the reporting year;

Sz pr. G is the same in the previous year;

Pry is the volume of production in the reporting year, thousand rubles.

To assess the effectiveness of using funds to pay for labour, indicators such as the volume of production or the amount of profit per ruble can be applied. If possible, it is advisable to conduct an inter-plant comparative analysis, which will show which enterprise works more efficiently.

Pay policy is an integral part of management. The efficiency of its work largely depends on it, since wages are becoming one of the most important tools that allow the rational use of labour power. When developing wage policies, it is necessary to take into account the ratio of the rate of change in wages and labour productivity.

Three main models that determine the ratio of the growth rates of labour productivity and wages can be distinguished (fig. 14.3):

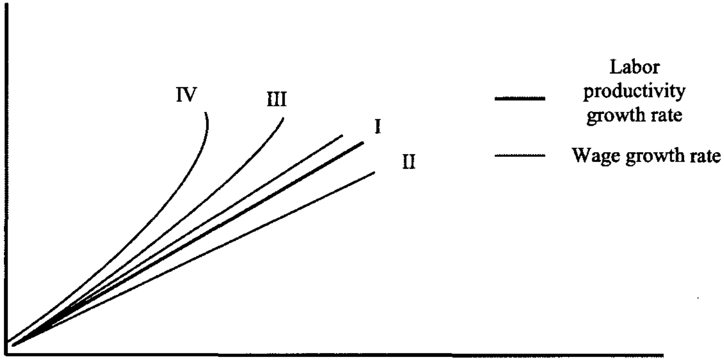


Fig. 14.3. Ratio of the growth rate of wages and labour productivity

1) the growth of wages is proportional to the growth of labour productivity;

2) wage growth lags behind labour productivity growth (degressive model);

3) wage growth is ahead of labour productivity growth (progressive model).

The first model (I) can be considered ideal. On a national scale, it does not generate inflation, but for an enterprise it contains an incentive to increase the labour productivity of its workers. In practice, this ratio is difficult to maintain.

The second model (II) should not generate inflation, but it does not contain an incentive to increase labour productivity.

If the growth rate of wages is faster than the growth rate of labour productivity, then such a model stimulates the growth of labour productivity, but it causes inflation (III). Too high rates of wage growth (IV) disrupt the relationship between labour costs and their pay, which also leads to a decrease in its productivity.

Thus, a competent wage policy allows to increase its effectiveness.

The main factors of increasing labour productivity are presented in fig. 14.4.

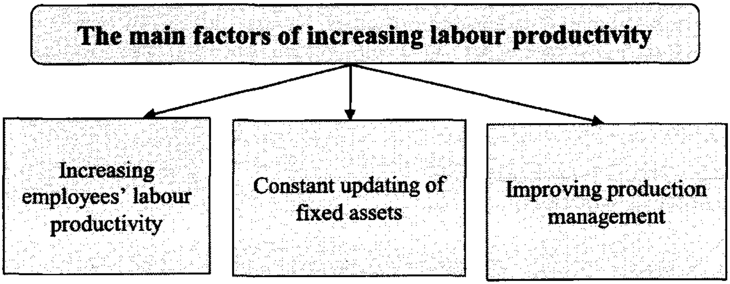


Fig. 14.4. The main factors of increasing labour productivity

According to international statistics in developed countries, an increase in labour productivity of 1% contributes to an increase in wages of 0.6-0.7% (Fig. 14.5).

The excess of the growth of wage rates over the growth of labour productivity is possible only through the additional attraction of funds for this purpose. In this case, the net profit of the enterprise will decrease, investment activity will decline, in general, the possibility of developing the enterprise will sharply decrease. As a result, this will have a serious negative impact on the level of wages of the labour collective of the enterprise.

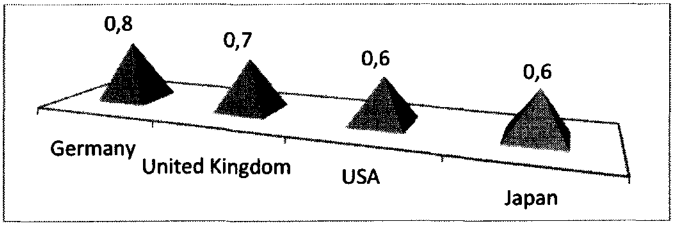


Fig. 14.5. Wage growth as a result of increased labour productivity in developed countries (in %)

Labour productivity through economic growth plays a decisive role in improving the welfare of the population.

Firstly, in conditions of limited production resources, economic growth can only be achieved through the effective use of this factor.

Secondly, to achieve economic growth, it is necessary to replace obsolete production resources in the structure of the gross domestic product with modern ones and to increase production capacities, increase the cost of accumulation. Therefore, an increase in per capita consumption is possible only by increasing labour productivity.

14.5. CONCEPTS OF THE HIGHEST LABOUR PRODUCTIVITY

In the market economy, the concept of marginal productivity of labour is being widely used, according to which an additional increase in the number of workers leads to an ever smaller increase in marginal product. At the same time, the *marginal product* is understood as the amount of additional products that the enterprise will receive by hiring one additional employee. Multiplying the marginal product by its price, we obtain the monetary expression of the marginal product, or marginal (or additional) income from the employment of the last employee.

In the case when the marginal product of labour is greater than the marginal cost of labour, it is necessary to increase the number of employees, while the total profit of the enterprise should increase with the number of employees. If the marginal product of labour is less than the marginal cost of labour, profits begin to decline with the last employee accepted. Consequently, one can increase profits only by decreasing the number of employees.

Thus, profit maximization is possible only at such a level of employment at the enterprise, when the marginal income obtained as a result of the work of the last employee is equal to the marginal cost of paying for his labour.

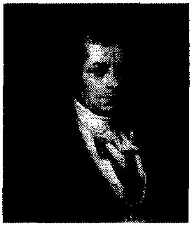
At the end of the 19th century, economists (American J.B. Clark and Frenchman J.B. Say) based on development of equal participation of labour capital and natural value created the *concept of the highest labour productivity.*

J.B. Clark noted that with a dynamically developing economy, serious changes are taking place in production. They are related to:

- population growth;
- increase in capital;
- improving production methods;

– changing forms of industrial enterprises;

– the abolition of ineffective production measures and introduction of highly effective, etc.



Jean-Baptiste Say (1767–1832) was famous French economist, representative of the classical school of political economics.
Works:
A Treatise on Political Economy. – M.: Case: Academy of National Economy under the Government of the Russian Federation, 2000

The American economist developed a theory according to which each factor of production is characterized by specific productivity and creates income, moreover each owner receives the share of income created by his production factor.

Based on the law of diminishing marginal productivity, the scientist concludes that with an unchanged amount of capital, each additional worker produces less output than previously accepted. The labour productivity of the last employee is called marginal labour productivity. According to J. Clark, only the product that is created by the marginal worker can be attributed to labour and considered the product of labour, the rest of the production, that is, the difference between the industrial product and the labour product is a product of capital. (More precisely, in the context of competition between workers and freedom of exchange, only the marginal product of labour goes to workers.)

Fundamental in this theory is the assertion that the marginal product in monetary form determines a fair, natural level of income, imputed to each factor of production. The natural, fair level of workers' wages will coincide with the price of the marginal product produced by the last worker.

If to accept the scientist's assumption that wages are determined by the marginal productivity of labour, that is, the marginal productivity of the last worker, it is easy to explain the extremely low wages in developing countries, because in conditions of excessive labour supply in relation to the total capital of society the marginal product of the last unit of social labour will tend to a minimum.

At the same time, the statement of remuneration in accordance with the magnitude of its marginal product J. Clark extends to other factors of production.

In particular, in his theory, the value of percent as a product of capital is determined by the unit of capital, which gives the smallest increase in production. All other things being equal, in conditions of diminishing marginal productivity, the larger the total capital of a company, the lower the interest rate.

Thus, both the employer and the worker are victims of natural laws, namely, the law of diminishing marginal productivity. According to J. Clark, if there are no obstacles to competition, wages, interest and rents will be the prices of factors of production that coincide in value with their marginal product or their marginal productivity.

The highest labour productivity begins to decline with involvement of an increasing labour power due to a decrease in the supply of labour capital. Likewise, the highest labour productivity is the result of a high supply of capital to production.

Along with this, if labour power is not mobile, that is, in the same labour market under the same conditions there is no difference in wages, the total product will not increase due to the fact that wages are not paid in accordance with the highest product. The concept of the highest labour productivity can be called the concept of formation of the price of demand on factors of production.

The analysis of the theory of marginal productivity of factors requires consideration of such concepts as general, marginal and average product (fig. 14.6).

The total product TP is the total volume of output obtained within the framework of a given production function and measured in physical units. The concept of a common product allows to identify the relationship between the volume of products and changes in the amount of one resource with a constant number of others.

The general product of the variable factor L can be described by the following production function: at K – const. This equation expresses the relationship between total output and the amount of factor L, provided that the amount of factor K is constant. Having considered the concept of the general product of a factor, one can easily derive the concept of the marginal and average product of a factor.

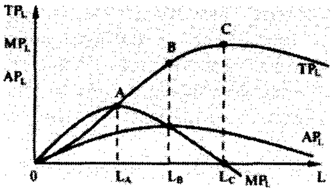


Fig. 14.6. Total, marginal and average product of variable factors

The marginal product of the factor of production of MP_L, calculated in physical units, shows the change in the volume of output of the product caused by the use of an additional unit of this factor L with an unchanged amount of all the others. The marginal product of a factor can be calculated as follows: where MP_L is the marginal product of factor L; Q – change in the total volume of production; L is the change in the amount of factor L.

The average product of the APL factor is determined by dividing the volume of output by the amount of variable factor L used. The average labour product shows how much of the output is produced per unit of labour. Very often, an average product is called an *indicator of labour productivity*.

In the dynamics of the overall product, three stages can be distinguished. At the first stage, it grows at an accelerating pace, at the second stage, it slows down and, finally, having reached a maximum, the total product at the third stage begins to decrease. At the first stage, the ratio of variable factor (labour) and constant (capital) is still far from optimal. Capital is in abundance. Therefore, the involvement of additional units of labour in production leads to an increase in the efficiency of capital use and, as a result, a growing return on each additional unit of labour.

Having reached its maximum, the marginal productivity at the second stage decreases, since the conditions of the law of diminishing returns come into force. As a result, the growth rate of the overall product slows down. When the marginal productivity drops to zero, the total product will reach its maximum, and then with a negative value of the marginal productivity will begin to decrease.

The dynamics of the average and marginal products shows that:

1) the average product grows as long as its value is less than the marginal product and decreases when it becomes larger than the marginal product;

2) when the average and marginal products are equal, the average product reaches its maximum.

The *production function* characterizes the relationship between the number of resources used (production factors) and the maximum possible output that can be achieved provided that all available resources are used in the most rational way (fig. 14.7).

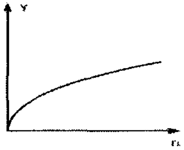


Fig. 14.7. Production function

The production function has the following properties:

- there is a limit to the increase in production that can be achieved with an increase in one resource and the constancy of other resources. If, for example, in agriculture, the amount of labour is increased with constant amounts of capital and land, then sooner or later the moment will come when output stops growing;
- resources complement each other, but within certain limits their interchangeability is possible without reducing output. Manual labour, for example, can be replaced by using more machines, and vice versa;
- the longer the time period, the greater the number of resources can be revised.

The total product of a variable factor L can be shown by the following production function, reflecting the relationship between the total output and the amount of factor L, with a constant amount of factor K:

$$Q = f(L), \text{ at K} - \text{const.}$$

Marginal product is a value showing the change in the volume of output as a result of using an additional unit of any factor of production with an unchanged number of others:

$$MPL = \Delta L \ \Delta Q,$$

where ΔQ is the change in output;
ΔL is the change in the amount of factor L.

Average product is a value showing the amount of output per unit of variable production factor. It is determined by dividing the volume of products by the amount of variable factor L used:

$$APL = LQ,$$

where Q is the volume of products;
L is the amount of variable production factor L.

The average product characterizes the productivity of a variable factor of production, therefore, very often the average labour product is called *labour productivity*.

CHAPTER XV.

CONCEPT OF DECENT WORK OF THE INTERNATIONAL LABOUR ORGANIZATION

15.1. THE CONCEPT OF DECENT WORK AND ITS COMPONENTS

The concept of decent work was first introduced in the report "Decent Work" by ILO Director-General Juan Somavia at the 87th session of the International Labour Organization (ILO). Decent work was defined as follows:

Decent work means productive work in which rights are protected, which generates an adequate income, with adequate social protection. It also means sufficient work, in the sense that all should have full access to income-earning opportunities. It marks the high road to economic and social development, a road in which employment, income and social protection can be achieved without compromising workers' rights and social standards. Tripartism and social dialogue are both objectives in their own right, guaranteeing participation and democratic process, and a means of achieving all the other strategic objectives of the ILO. The evolving global economy offers opportunities from which all can gain, but these have to be grounded in participatory social institutions if they are to confer legitimacy and sustainability on economic and social policies.

"Decent work" is an officially recognized term of the International Labour Organization. The concept of decent work includes the opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity and has six dimensions:

1. Possibility (availability) of labour.
2. Work in conditions of freedom (exclusion of slavery, child labour, and so on).
3. Productivity (content) of labour, ability to provide himself/herself with sufficient income from labour.
4. Equality and non-discrimination in access to labour and the labour process.
5. Occupational safety.
6. Dignity in work is an opportunity to participate in formation of working conditions and ability to influence the employer.

Taking into account all of the above, the following definition of decent work can be proposed: *decent work* is work that is respected by society, satisfies an individual in terms of moral, material, qualitative, quantitative and meaningful characteristics, does not harm health and promotes the development of human abilities.

Moral characteristics show that, when performing work, an individual should not conflict with both generally accepted and own spiritual values.

Satisfaction with material characteristics implies that remuneration received for labour should be sufficient to satisfy the needs of the individual and his family.

Qualitative characteristics of labour are the characteristics of organization of the workplace, the quality of equipment, i.e., everything that surrounds the employee during the labour process.

Quantitative characteristics of labour is the time spent by an individual on labour activity. An individual must work as much as he considers necessary and sufficient to ensure his existence. An individual should have the opportunity and the right to choose the optimal number of working hours for him.

Finally, the *substantive characteristics of labour* are actually the functions, the content of the activity performed by the individual.

In analyzing the emergence of the concept of decent work, it is necessary to separate the prerequisites for the appearance and reasons for using an integrated approach in developing the concept of decent work. *Prerequisites* determine the time of the emergence of the concept. *Reasons* explain the complexity of the concept of decent work.

The following prerequisites for formation of the concept can be distinguished.

Firstly, the process of globalization, which affected almost all aspects of society. Unified ideas about the standards of life, labour relations, social justice were formed. Various inequalities arose and intensified, starting with inequality in income levels and ending with differences in access to acquiring a profession, advanced training, etc. Development of world trade, creation of multinational companies, and the withdrawal of production to other countries required the observance of single standards and labour standards in different countries. The need for an integrated approach to ensuring employment, security, social guarantees and social dialogue has increased. The clash of common ideas about what should be, with differences in what is, led society to realize the need not only to form, but also to introduce common standards in the field of labour relations.

Secondly, a change in economic orders. The ongoing process demanded the creation of a new labour ethic that would meet new conditions.

Decent work does not force a person to commit crimes, make deals with conscience. However, the deficit of decent work gives rise to contradictions between labour available for livelihoods and labour that could bring satisfaction to a person. And, as already mentioned, in the absence of legal opportunities to earn income, a person has to engage in illegal activities that harm society. Therefore, the conclusion is correct that there is feedback, about the attitude of society towards the individual. If an individual considers it possible, even with decent work opportunities, to engage in activities harmful to society or not to do anything at all, society refers to this extremely negative.

Decent work should bring sufficient income. The absence or availability of decent work opportunities largely determines the current situation in the world, the huge imbalances in distribution of income. Poverty in many countries is determined precisely by the absence of such an important element of decent work as the possibility of obtaining sufficient and appropriate remuneration for work. Employment and promotion of job-creating enterprises remain the most reliable means of eliminating poverty. Worldwide efforts to reduce poverty by half will not work unless new employment opportunities and decent lives are created for the poor.

Human development along with well-being is an important element of decent work. Therefore, the provision of jobs, employment should be supplemented by the creation of conditions in which people can develop, use their unclaimed potential and, very importantly, feel protected.

Different perceptions of the role of labour occur in society in countries with high and low levels of development. It would be right to share the importance of labour and the need for decent work for developed and developing countries.

To clarify the statistical indicators of decent work, its individual structural parts are identified (fig. 15.1).

In turn, these structural parts have the following indicator groups:

- key indicators of decent work;
- additional decent work indicators;
- indicators intended for future use;
- economic and social nature of decent work.

Decent work mechanisms at the national level cover the national systems of indicators and methods related to monitoring of their implementation.

To strengthen the activity in the field of ensuring decent work, the International Labour Organization has adopted the binding Declaration on Fundamental Principles and Rights at Work and the mechanism for its implementation. It states that all member states have an obligation arising from the very fact of their membership in the organization – to respect, promote the application and faithfully implement in accordance with the Charter the principles regarding the fundamental rights that are the subject of these Conventions, namely:

a) freedom of association and effective recognition of the right to collective bargaining;

b) abolition of all forms of forced or compulsory labour;

c) effective prohibition of child labour; and

d) non-discrimination in the field of labour and employment.

Currently, at the initiative of the ILO, the Decent work program is being implemented in all developed countries. Initially, the Program was introduced in eight countries on different continents and with different levels of socio-economic development: Bahrain, Bangladesh, Denmark, Ghana, Kazakhstan, Marakash, Panama, Philippines.

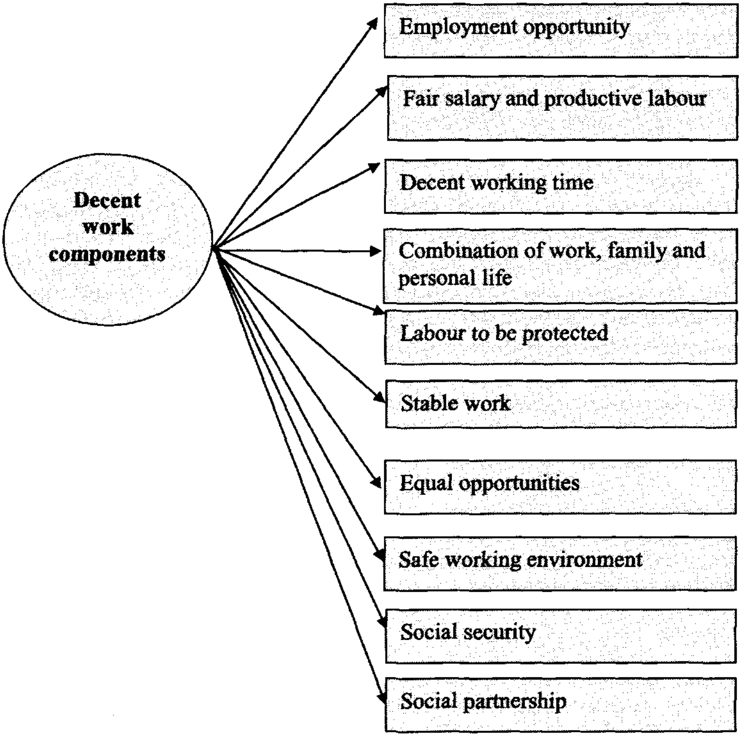


Fig. 15.1. Decent work components

In Uzbekistan, every citizen has the right to work, free choice of profession and work. Decent work is an important factor in ensuring the sustainable growth and development of the economy and the harmonious interests of its participants.

An important role in this direction is played by the inclusion of generally accepted world standards in the national system for protection of individual rights. Thus, the Republic of Uzbekistan has ratified 13 ILO conventions. One of the significant is the Concept of decent work. It is based on four strategic goals: the realization of fundamental rights in this area, the expansion of employment and income generation opportunities, the improvement of the social support system, and strengthening of social dialogue. Implementing this Concept in the practice, the emphasis is placed on ensuring sustainable employment of the population, the rights of citizens to join trade unions, conducting collective bargaining, creating comfortable and safe conditions in enterprises and organizations, and developing an effective system of social protection.

So, *decent work* is an urgent need and a necessity for society as a whole, determining its future. Each country should set its own goals for reducing the deficit of decent work, in accordance with its own shortcomings, conditions, opportunities, level of development, historical and cultural traditions. The concept of decent work is designed to ensure that social interests are taken into account in the global economy in both developed and developing countries. Combining the goals of ensuring employment, adhering to labour standards, social dialogue, ensuring gender equality within the framework of the concept of decent work is a significant step towards a balanced consideration of economic and social interests and goals.

15.2. Requirements for ensuring employment of the population based on ILO Decent work concept criteria

The principles of the Decent work program are related to the economic policy of the state, primarily the provision of employment to all who wish to work and are looking for work. This is not about any work, but about employment provided for in the Global Employment Program of the International Labour Organization. The fact that the vast majority of jobs are created in the private sector of the economy causes the problem of full social security, legal protection of the employed population.

According to the ILO, workers in unprotected form of employment in the world comprise 1.53 billion people, that is more than half (50.1%) of all employed in the world. Therefore, experts of the International Labour Organization recommended evaluating decent employment in countries by 11 groups of indicators. The following indicators are recommended in ILO documents when assessing employment opportunities:

1) work experience of less than one year (the share of workers employed in the main workplace for less than one year by age groups and status in the field of employment);

2) temporary work (the proportion of workers who consider their labour activity to be temporary).

The first group of indicators shows the following properties of the Decent work program (table 15.1):

Table 15.1

Indicators of the most important components of the Decent work program

Indicators of the most important components of the Decent work program	**Main indicators of the Decent work program**	**Additional indicators of the Decent work program**
1	2	3
Employment opportunity	Employment rate of the 15-64-year-old population; unemployment rate of 15-24 year olds, non-studying and non-working youth; informal employment	15-64-year-old able-bodied population (this indicator should be used in places where there are no statistics on the level of employed or unemployed); unemployment rate among 15-24 year olds; unemployment rate in accordance with the level of education; employment by type of employment; proportion of self-employed and working in families under contract; share of employees among those employed in other sectors of agriculture
Decent salary and productive work	Low wages (average hourly wage below 2/3)	Average time wages for certain professions; real average salary; the ratio of the minimum wage to the average wage, %; industry wage index

Decent working time	Excessive working hours (over 48 hours per week)	The usual number of hours worked (standardized mandatory hours at work); the number of hours worked by each employee during the year; part-time level in terms of time
Stable and secure work	Insecure employment rate	Duration of service; living wage; living standard; real wages for part-time workers
Social relations	Share of population under 65 receiving pensions; government spending on social security	Financial costs (not from household sources) for medical care; share of the population provided with basic medical care
Equality of opportunities and enrichment of labour	Professional segregation by gender; the share of employed women in non-agricultural sector in middle and high management	Indicators of basic principles and rights at work (eliminating discrimination in the sphere of labour and employment); scale of discrimination based on race/nationality/indigenous peoples/labour migrants/rural workers (if relevant information is available at the national level)
Safe work environment	Level of injuries leading to death at work; level of injuries that did not result in death at work	Loss of working time due to injuries at work; presence of labour inspectorates (the number of labour inspectors per 10 thousand employees)
Social dialogue of representatives of employees and employers	Level of union membership (enterprises – members of employers' organizations); level of coverage by collective bargaining agreements (indicators of basic principles and rights in the sphere of labour, freedom of association and collective bargaining)	Strikes and layoffs

– population employment;

- unemployment rate;
- informal employment;
- employment associated with work with low wages.

Employment is differentiated based on the following indicators:

- participation as part of labour resources;
- unemployment rate;
- coefficient by gender.

Indicators of the second group include the duration of working time (calculated by the ratio of employed at 15-72 years of age, worked over 48 hours in the observed week to the total number of employees).

The third group of indicators reflects the state of employment in relation to men and women. At the same time, indicators indicating the gender difference in wages are especially distinguished.

The differentiation of gender equality in decent work is based on the following indicators:

- proportion of women in labour resources;
- proportion of women in composition of administrative and technical workers;
- proportion of women in engineering and technical workers;
- the number of unemployed women and men.

The needs and capabilities of each country are taken into account in implementing the Decent work program. In particular, economic growth should be considered in terms of social progress, and social progress in terms of economic development. Mutual agreement is also required on national and international policies affecting the employment strategy and the Decent work program. Priority tasks also include recognition of labour legislation and problems of creating an effective labour inspection system.

15.3. Social protection of employees based on the ILO Decent work concept

The definition of "social protection" is a very broad concept. It is considered both at the constitutional level of ensuring the rights and freedoms of citizens, and at a specific level – within the framework of protecting the rights and needs of employees of the enterprise. Social protection is not limited to providing assistance and support to a certain class of employees.

Several areas of social protection can be distinguished in each organization:

1) ensuring optimal conditions of labour activity, which will allow workers to effectively earn money for normal life support;

2) formation of new vacancies and positions for creation and maintenance of motivation among employees;

3) providing conditions for safe labour process and creating opportunities for professional growth of employees of the organization;

4) providing material benefits to employees during the period of their life that is associated with loss, accident or tragedy that influenced the process of their professional activity (for example, having a baby, work injury, loss of relatives).

Thus, *social protection* is a comprehensive system of measures aimed at satisfying a person's social needs, which has its own types and forms (fig. 15.2).

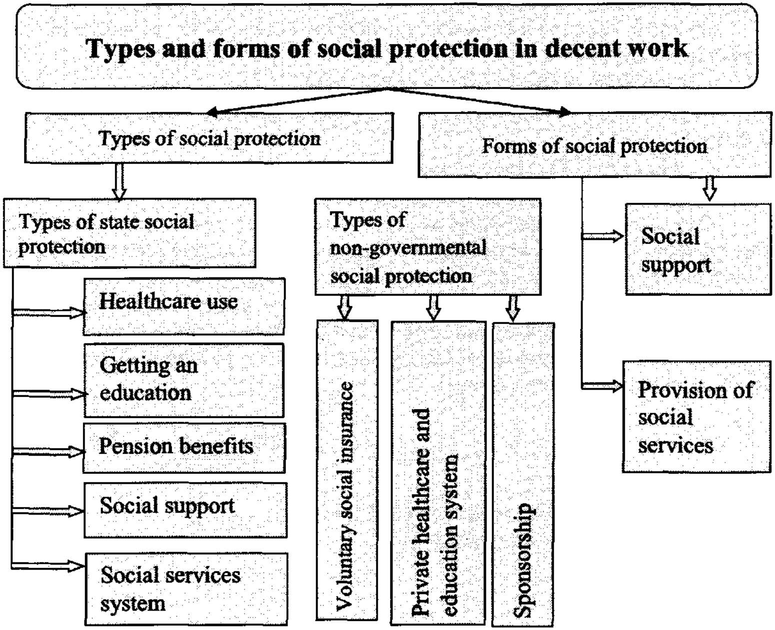


Fig. 15.2. Types and forms of social protection in decent work

The term "social protection" was first used in the "Law on social security" of the United States, adopted in 1936. In this law, social protection is interpreted as a system on protecting each citizen from deprivation of economic and social benefits due to loss or sharp decrease in income as a result of unemployment, illness, childbirth, injuries at work, disability.

Article 5 of the Convention No. 117 of the International Labour Organization states that measures shall be taken to secure for independent producers and wage earners conditions which will give them scope to improve living standards by their own efforts and will ensure the maintenance of minimum standards of living as ascertained by means of official inquiries into living conditions, conducted after consultation with the representative organizations of employers and workers.

In establishing the cost of living, such basic needs of workers' families as food and their calorie content, housing, clothing, medical care and education are taken into account. If an employee due to illness, accident, aging or a decrease in demand for his work loses his ability to work (temporarily or permanently), he will have problems with material support. Therefore, in a market economy, social protection turns into an integral part of the economic activities of society and social life, and the organizational and legal forms of this system should be aimed at the labour process and reproduction of the employee's abilities.

Social protection of workers is carried out at the level of the enterprise (organization), industry and territories (table 15.2).

Table 15.2

Elements, mechanisms and systems of social protection in the decent work process

Elements	Mechanisms	Systems
Social guarantees at the state level: social and labour legislation, safety precautions and labour hygiene	Economic, legal, political	Minimum social standards of the state: medical care, career guidance and vocational training
Social guarantees in collective, territorial and general agreements	Social	Labour protection, prevention, risk assessment and reduction, accident check
Social guarantees in ILO conventions and recommendations	Social, legal	Identification of occupational diseases and disability at work, unemployment benefits, social insurance of industrial accidents

The system of social protection in decent work consists of:

a) from the norms of labour and civil legislation. They determine the general procedure for the admission and dismissal of workers, working hours, rest, remuneration and labour protection of youth;

b) mechanisms of social protection of workers. They consist of socio-economic and material mechanisms and include functions and types of social protection of workers, as well as collective labour contracts aimed at meeting the interests of workers and employers;

c) social protection institutions that perform targeted functions based on their legal status and economic opportunities.

To date, there are basic provisions of international documents and the legislative framework in accordance with which the basic principles of social protection of employees of the enterprise can be distinguished:

1) social protection of the state and society as a whole on a proper and careful attitude to the human person, as well as realization of his rights to comfortable work, free choice of profession, place of work and training, ensuring optimal conditions for labour activity, compensation for disability and health protection;

2) maintenance of social justice in labour relations is the right to hygiene and safety of the labour process, worthy remuneration for labour, measures aimed at maintaining the health of workers, payment of social benefits in case of illness, decent material compensation in case of disability, providing professional, social and medical rehabilitation for those injured in the workplace;

3) mandatory protection of employees from professional and social risks, as well as ensuring the right to social protection (this is considered as the main guideline of social and economic development of society);

4) minimization of professional risks, availability of professional information and employee rights, ensuring social harmony and safety in society regarding social risks, and a guarantee to minimize risks;

5) scale of social protection, the subjects of which should be the state, professional unions and associations, employers, local governing bodies;

6) the interest of all objects of social protection in improving and establishing the structure of social protection of employees;

7) social and economic freedom of employees of the enterprise in the field of labour is an independent choice of professions with analysis of possible social and professional risks, obtaining a qualified education, an acceptable place of work;

8) personal responsibility of employees of the enterprise for the preservation of their health during the labour process, both in the office and in the workplace;

9) different targeting of social protection methods;

10) a wide range of measures and methods of social protection (objects of social protection should be a personified worker, and in the background are payment and working conditions, qualified training, medical insurance and services, rehabilitation services, etc.).

Effective social protection allows the organization to put into practice its needs with respect to increasing the trust of employees and investors, which in turn will lead to an increase in the competitiveness of the enterprise's activity.

Activities of the organization, which is equipped with social protection of personnel, is capable of:

1) increasing the income of the enterprise;
2) developing new areas of business and earning trust;
3) increasing labour productivity and increasing sales;
4) attracting new and retaining employees;
5) establishing relationship with regulatory authorities.

15.4. Mechanisms of socio-economic protection of workers

Mechanisms of socio-economic protection of employed workers include:

1) social and labour guarantees:

a) duration of working hours, regulation of working hours and rest, limits of disability;

b) material security – the amount of the minimum wage, tariff schedule, payments for temporary disability, etc.;

c) professional training and retraining of employees, familiarization with working conditions;

2) medical guarantees:

a) conducting preliminary and periodic medical examinations;

b) treatment of workers who have been injured at work;

3) compensation and rehabilitation guarantees:

a) material compensation for damage to the health of the employee during labour activity;

b) medical, professional and social rehabilitation for causing damage to the health of the employee during the labour activity;

c) benefits and compensation for working in adverse conditions;

4) organizational guarantees:

a) examination of conditions of the workplace and the labour protection system;

b) verification of causes of industrial accidents.

The ILO Decent work program defines as indicators of social protection for workers:

– government spending on social security;

– unforeseen circumstances: unemployment, illness, motherhood (pregnancy and parenting), occupational accidents, proportion of certain categories with social guarantees in relevant categories of workers who need protection when they reach retirement age;

– share of social security expenditures in gross domestic product.

In the ILO's Decent work program, working conditions, occupational safety and health occupy a central place. *Labour protection* is a system of socio-economic, organizational, technical, sanitary-hygienic and medical-preventive measures and means aimed at ensuring safety, preserving human health and working capacity in the process of work, acting on the basis of relevant legislative and other normative acts[1].

The Decent work program defines labour protection indicators as:

– level of unprotected employment;

– excessive working hours (over 48 hours per week);

– level of injuries that led and did not lead to death;

– loss of working time due to injuries at work;

– presence of labour inspection (the number of labour inspectors per 10 thousand employees) and other indicators (table 15.3).

Table 15.3

Labour protection indicators ensuring decent work

Main components of decent work	**Main decent work indicators**	**Additional decent work indicators**
1	2	3
Decent working time	Excessive working hours (over 48 hours per week)	Usual amount of time spent on work (standardized required hours of work); the number of hours worked by employees during the year; part-time level in terms of time
Stable and secure work	Insecure employment rate	Duration of stay at work; minimum level of accommodation; living standard; real salary of workers who do not have a permanent job

[1] The Law of the Republic of Uzbekistan "On labour protection" (new edition) // Narodnoye slovo (People's word). – 2016. – September 23.

Safe working environment	The level of injuries at work leading to death; non-fatal workplace injuries	Loss of working time due to injuries at work; availability of labour inspection (number of labour inspectors per 10 thousand employees)

Recently, there are standards for ensuring occupational safety at work. Convention No. 155 and Recommendations No. 164 of the International Labour Organization provide the basis for a systematic approach to occupational safety and health management. The ILO has developed the "Guide to Occupational Safety and Health Management Systems" (ILO-OSH 2001). This Guide serves as a methodological basis for development of national labour protection standards.

One of the criteria for the effectiveness of the labour protection system is the conformity of the "Management System in the Field of Occupational Safety and Labour Protection" – OHSAS 18001:2007. When analyzing the effectiveness of the labour protection system, the criteria of the level of risks of working conditions at work for the life and health of workers are used (table 15.4).

According to ILO Convention No. 102, any condition that impacts negatively on health and which is due to a work accident or an occupational disease, and the incapacity to work and earn that results from it, whether temporary or permanent, total or partial, must be covered. Therefore, in a market economy, social protection has become an integral part of economic activity and social life.

Table 15.4

Determining the level of occupational risks to life and health

Risk levels	**Definition for injury risk (by type of work)**	**Definition for violations of working conditions (by jobs, on the industrial site as a whole)**
1	2	3
Threatening hazard	Cases of death were noted during such work at the enterprise or there is the potential for causing injury of this severity	Cases of occupational diseases associated with the considered factor that led to disability (loss of efficiency in this specialty) were recorded
Significant hazard	When carrying out such works at the enterprise, cases of injuries leading to disability in this specialty for a period of more than 90 days were noted, or	Cases of occupational diseases associated with the factor under consideration have been recorded.

	there is the potential for causing injury of this severity	
Critical hazard	When carrying out such works at the enterprise, cases of moderate injuries were noted (disability from 1 to 90 days) or there is a potential for causing injury of this severity	Exceeding the value of a harmful production factor of MAC values in the working area or values, specified in the relevant sanitary norms and rules and state standards; the impossibility of determining it with a sufficient degree of accuracy and periodicity
Tolerable hazard	Exceeding 0.1 MAC in the working area or the value specified in the relevant sanitary norms and rules and state standards	

The Republic of Uzbekistan joined the the eight major ILO conventions on labour protection.

In Uzbekistan, the legal framework has been created for ensuring safety of labour at work. Article 37 of the Constitution of the Republic of Uzbekistan states that every citizen shall be entitled to fair conditions of labour and protection against unemployment in accordance with the procedure prescribed by law. In the Labour Code of the Republic of Uzbekistan, over 30 articles are directly devoted to labour protection. They define:

- labour protection requirements;
- ensuring safe working conditions;
- training and instruction on labour protection issues;
- regulation of working hours for certain categories of employees;
- conditions for attracting people with disabilities to various jobs;
- providing workers with milk, healthy food, personal and hygiene products;
- providing first aid for employees;
- registration and verification of accidents, monitoring the working conditions and other legal bases.

The Labour Code stipulates that all enterprises must create working conditions that meet the requirements of safety and hygiene. Creating such conditions is the responsibility of the employer.

Activities of enterprises or the operation of means of production that do not meet the requirements of labour safety and pose a threat to the health or life of workers are subject to suspension by authorized bodies in the manner prescribed by the legislation of the Republic of Uzbekistan, until they are brought into line with the requirements of labour safety.

The administration of the enterprise, the employer, the owner, or the management body authorized by it, ensure that the enterprise meets the requirements of standards, rules and norms for labour protection, as well as the obligations stipulated by the collective agreement. Rules and requirements of standards, rules and norms for labour protection are developed and approved by the Cabinet of Ministers of the Republic of Uzbekistan, ministries and state supervisory bodies in coordination with trade union organizations. The labour protection rules indicate mandatory labour protection rules for the employer. The employer is responsible for violation of labour protection requirements.

The Labour Code also states that it is incumbent on the employer to instruct workers on safety equipment, industrial sanitation, fire protection and other labour protection rules, as well as to continuously monitor compliance by employees with all labour protection requirements.

The employer is obliged to ensure that employees receive training on labour protection and check their knowledge. Admission to work of persons who have not undergone training, instruction and verification of knowledge on labour protection is prohibited.

The enterprise is obliged to arrange preliminary examinations at the conclusion of the employment contract and periodic medical examinations of employees of a number of professions and industries during its operation in accordance with the procedure established by health authorities.

In factories with harmful and hazardous working conditions, as well as at work carried out in special temperature conditions or associated with pollution, workers are given free, in accordance with the standards established by government bodies, special clothes, shoes and other personal protective equipment, washing and disinfectants, milk and other equivalent food products, therapeutic nutrition.

In the labour legislation special attention is paid to the labour protection of women, especially pregnant women, and raising young children. It is forbidden to involve them in night and overtime work, send them on a business trip.

Employers who, due to health reasons, need to be provided with lighter or excluding the effects of adverse production factors, the employer is obliged to transfer, with their consent, to such work in accordance with a medical opinion temporarily or without time limit. In general, an employee may refuse to perform work that poses a threat to his life or health.

According to the Law, citizens of Uzbekistan have the right to rest. This right is ensured by the establishment for workers of the working week not exceeding 40 hours, for workers engaged in labour activities in harmful conditions, as well as for the 16-18-year-old worker – 36 hours, for 14-16-year-old – a 24-hour workweek.

The new version of the Law "On labour protection" highlights the following provisions:

– state policy in the field of labour protection, the authority of state bodies and economic management bodies;

– tasks of the Ministry of Employment and Labour Relations as the authorized representative of the state body for monitoring the implementation of legislative acts in the field of labour protection;

– requirements for establishing public control in the field of labour protection and powers of other state bodies, including the Ministry of Health and local government bodies;

– revised activities of the organization and their structural divisions as a result of violations of labour protection requirements, production shutdown, as well as requirements on stopping the activities of these organizations;

– verification of activities of labour protection services of organizations, certification of workplaces according to working conditions, determination of compliance of workplaces with labour safety, training and professional development of workers on labour safety issues, organization of an audit of labour protection, tasks of professional participants in the labour protection services market;

– in organizations with low professional risk and small enterprises (with employees less than 50 people) that do not have the ability to organize a security service to perform tasks of labour protection services based on outsourcing to attract professional participants in the labour protection market;

– to prevent occupational accidents and diseases and eliminate industrial accidents, avoid unnecessary expenses for these purposes, as well as effectively organize labour protection, create an audit mechanism for labour protection management;

– requirements for professional participants in the labour protection market are determined by the government of the Republic of Uzbekistan;

– guarantees, rights and responsibilities of employers and employees in the field of labour protection;

– features of regulation of relations in the field of labour protection for certain categories of workers, women, minors, and disabled people;

– concepts of state control of labour protection, state examination of labour safety, monitoring the state of labour protection;

– prosecution of perpetrators who failed to provide timely instructions from special authorized state bodies, inspections of accidents and occupational diseases at work, as well as hiding such provisions;

– norms of organization liability for the damage caused to the liquidation of the legal entity;

– the procedure for public monitoring of compliance with laws and other regulations on labour protection and the rights of trade unions on the protection of the rights of workers on labour protection.

According to the "Regulation on the procedure for certification of workplaces under working conditions and the risk of injury to equipment", the certification materials of the enterprise, at the workplaces of which certification is carried out, are subject to state examination in labour authorities[1].

Labour protection services at manufacturing enterprises are considered to be constituent units of business entities, called upon to ensure compliance with labour protection requirements. They organize the accounting and analysis of injuries and occupational diseases associated with production factors, study and implement best practices in the field of occupational safety, advise employees and employers on safety and improving working conditions, and other issues.

Along with this, the creation of labour protection commissions at the enterprise is recommended. They include representatives of employers and trade unions on a parity basis. These commissions are engaged in providing organizational, preventive, socio-economic, sanitary-hygienic and other measures aimed at protecting life and health in the course of labour activity.

In small enterprises, employers have the right to conclude an agreement on labour protection with specialized organizations, to appoint a labour protection specialist to the headquarters, or to entrust one of the employees to perform this function. When appointing such an employee, he and the employer must undergo special training. After that, the employer issues an order to appoint this employee responsible for labour protection.

15.5. The practice of implementation in the economy of ILO Decent work concept

International Labour Organization adopted the Declaration on Fundamental Principles and Rights at Work and the Mechanism for its Realization. It determines that

[1] Resolution of the Cabinet of Ministers of the Republic of Uzbekistan of September 15, 2014 "On further improvement of measures for protection of workers's labour // Collection of the legislation of the Republic of Uzbekistan. – 2014. – No. 38. – P. 484; 2016. – No. 34. – P. 405; 2017. – No. 15. – P. 249; No. 37. – P. 990; National legislation database. – 2017. – December 23. – No. 10/17/1001/0447; 2018. – December 31. – No. 09/18/1066/2428.

states are obligated to comply with these principles, to facilitate their application and implementation.

In Uzbekistan, in order to improve social and labour relations, the state of the labour market, expand the sphere of effective employment, targeting the social protection system, increase the level of labour safety, the Decent work country program was developed and priority directions, goals, objectives and performance indicators were identified with the International Labour Organization. An agreement was signed on cooperation on implementation of the Decent work country program between social partners – the Government of the Republic of Uzbekistan, the Council of the Federation of Trade Unions of Uzbekistan, the Chamber of Commerce and Industry and the International Labour Organization.

The Decent work country program of Uzbekistan has three areas, reflecting the three technical areas of the ILO's activity:

1) labour safety and hygiene;
2) minimum standards of social protection;
3) remuneration.

In the field of occupational safety and hygiene, the ILO provides assistance and support to the Government of the Republic of Uzbekistan and social partners in assessing the legislative and regulatory framework in this area and in developing recommendations for its reform.

In order to expand and strengthen social protection, the ILO is working with its social partners in Uzbekistan to develop a roadmap on a system of minimum social protection standards.

Considering the promotion of the practice of setting wages through concluding collective bargaining and tripartite consultations, within the framework of the Country Program, the existing consultation mechanisms for setting wages are studied and recommendations on improving participation of all parties in the dialogue on this issue are developed. As a result, measures were successfully implemented on improving labour legislation and raising public awareness on labour rights. Thanks to the efforts of social partners and ILO technical support, significant progress has been achieved in Uzbekistan in implementing international labour norms and standards in a short period of time. In order to further effectively implement the conventions of the International Labour Organization ratified by Uzbekistan, to improve national legislation in the field of labour and law enforcement practice, to take additional measures on deepening constructive cooperation with international organizations, a Republican Interdepartmental Commission was established to implement ratified ILO Conventions by the Republic of Uzbekistan.

According to the UN, 45% of the population, or more than 3 billion people, are labour resources. Uzbekistan is in the 35^{th} place in the ranking of the able-bodied population in the world (about 18 million people). Currently, 12.2 million people are employed in the country.

In Uzbekistan, 14 (including 8 main) ILO Conventions have been ratified. Among them, ILO Convention No. 81 on Labour Inspection, No. 129 on Labour Inspection in Agriculture. It may be noted that, at present, Convention No. 81 has been ratified by 145 countries, and No. 129 by 53 countries.

Convention No. 81 covers all workplaces to which laws and regulations on working conditions and protection of workers apply, provided by labour inspectors and labour inspectorates covered.

Convention No. 129 provides for conducting a labour inspection of the agricultural industry on wages, types of labour contracts, and their duration.

The Decent work country program of Uzbekistan serves the development of social and labour sphere, ensuring the growth of real incomes of the population, improving the situation on the labour market, expanding the areas of productive employment and raising the level of labour safety and security.

CHAPTER XVI.

LABOUR RELATIONS

16.1. THE ESSENCE OF LABOUR RELATIONS AND THEIR TYPES

Labour relations are relations based on an agreement between the employee and the employer on the personal fulfillment by the employee of a labour function (work by position, profession or specialty, or a specific type of work entrusted to him) for wages. The subjects of labour relations are *workers and employers.* When labour relations acquire a social character, the state joins them.

The essence of labour relations is the work, remuneration and career of individual employees, relationship, as well as the organization's culture, since it affects everything else. The essence of labour relations also includes collective agreements and associations of workers (production committees, etc.). Formal aspects are rules and procedures, while informal aspects include understanding, expectations and assumptions. Finally, employment relationships can exist at different levels of the organization (between management and employees in general, managers and individual employees or managers and representatives of workers and groups of people). The functioning of labour relations will be influenced by the process such as communication and consultation, as well as the leadership style prevailing in the organization or the styles of individual managers (fig. 16.1).

Legal labour relations arise only after the conclusion of an employment contract regulated by labour legislation. *An employment contract* is an agreement between an employee and an employer on the performance of work in a particular specialty, qualification, position for remuneration subject to the internal labour schedule on the conditions established by the agreement of the parties, as well as legislative and other regulatory acts on labour.

In an employment contract, by agreement between the employee and the employer, the following items are defined:

1) place of work (enterprise or its unit);
2) labour tasks of an employee – specialty, qualification, position;
3) the beginning of labour activity;
4) duration of the employment contract;
5) salary and other working conditions.

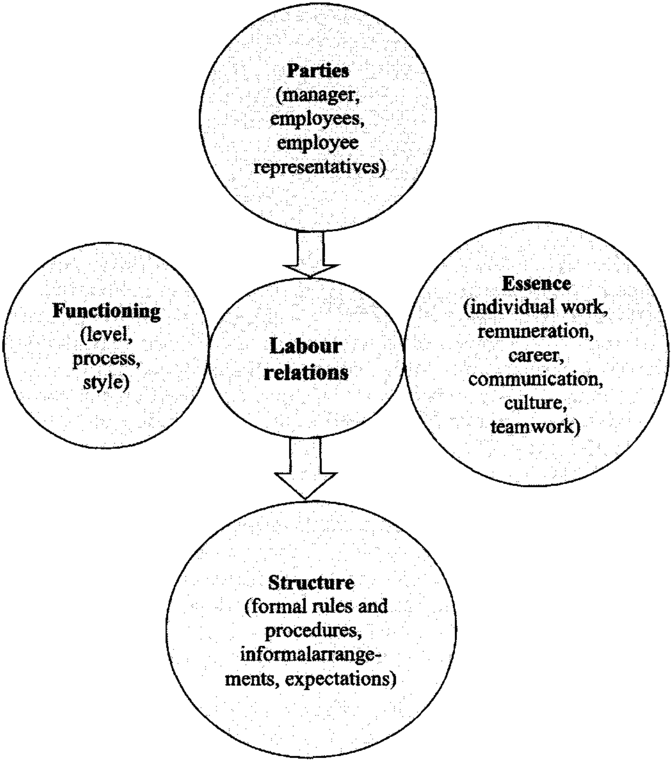


Fig. 16.1. The essence of labour relations

Employment contracts may be concluded:

- for an indefinite period;
- a certain period of not more than five years;
- time to complete a specific job.

If the employment contract does not stipulate its validity, then the contract is considered concluded for an indefinite period. An employment contract concluded for an indefinite period of time cannot be restarted for a specified period, as well as for the duration of a certain work without the consent of the employee.

An employment contract may be concluded with a preliminary test with the aim of:

- checking the employee's compliance with the assigned work;
- adoption by the employee of a decision on advisability of continuing the work stipulated by the employment contract.

Passing the preliminary test must be stipulated in the employment contract. In the absence of such a reservation, the employee is deemed to have been accepted without prior testing.

A preliminary test is not established when hiring pregnant women, women with children under three years of age, persons sent to work at the expense of the minimum number of jobs established for the enterprise, graduates of secondary special, professional education institutions and higher education institutions coming to work for the first time within three years from the date of graduation of the relevant education institution, as well as employees with whom an employment contract is concluded for a period of up to six months.

In some cases, the legal basis of such labour relations is more complicated (election or appointment to a position, employment on the basis of a competition, court decision on an employment contract and others). For example, employees who are relieved of work due to the election or appointment of judges after their term of office are given the previous job (position) held by them until the election or appointment to the position of judges, and in its absence, other work of equal value (position).

An employee who has been called up for military service after having been resigned to the reserve or resigned has the right to be employed at his former place of employment if he appealed to the employer on the issue of employment no later than three months from the day of dismissal from the Armed Forces, troops of the Ministry of Internal Affairs, State Security Service and Ministry of Emergency Situations of the Republic of Uzbekistan.

Labour relations have peculiar properties:

firstly, *the subject of labour relations* is the employee, that is, the person performing the labour function is included in the labour collective of the enterprise (organization). Such inclusion may be permanent, temporary or seasonal. In all these cases, the main one is the joint participation of the employee in labour activity;

secondly, *the content of labour relations* implies the employee fulfilling the labour function. The labour function is aimed at performing by the employee a certain job based on his profession, specialty, qualification. At the same time, if necessary, the employee can permanently or temporarily perform other labour functions;

thirdly, the *labour function* is performed under certain conditions of labour. Submission of the employee to the requirements of labour organization is a necessary element of labour relations. Labour is always purposeful activity. Therefore, labour relations are material relations that form the basis of the economy of society.

In labour relations, there are concepts and working conditions. Labour conditions are understood as a combination of social and production factors under which labour is carried out (fig. 16.2).

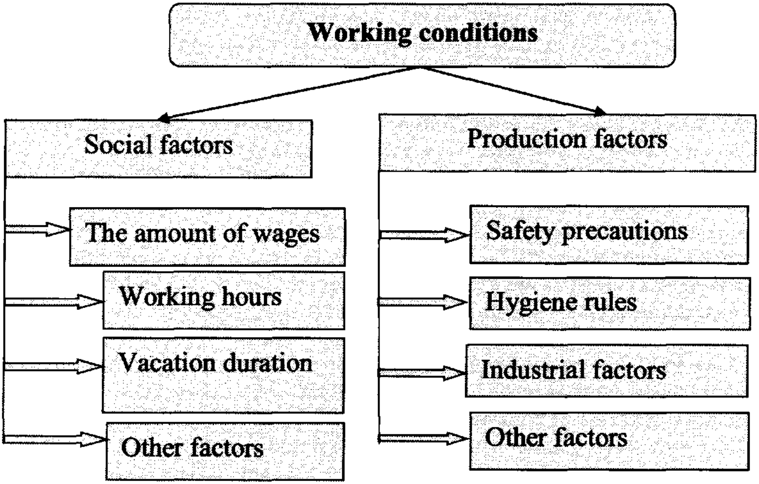


Fig. 16.2. Working conditions

Social factors include wages, working hours, vacations, etc.

Industrial factors are recognized technical, sanitary, hygienic, industrial, and other conditions.

Working conditions are established by legislative and other normative acts on labour, as well as by agreement of the parties of the labour contract.

Changing working conditions is carried out in the order in which they were established.

The employer has the right to change working conditions without the consent of the employee only if such changes are predetermined by changes in technology, organization of production and labour, a reduction in the volume of work (products, services) that entailed a change in the number of employees or a change in nature of works. The employer conducts preliminary consultations regarding changes in working conditions for certain groups of workers with representative bodies of workers at the enterprise. The employer must notify the employee in writing, on receipt, warn employee of upcoming changes in working conditions, no later than two months in advance. Reducing the specified period is permissible only with the consent of the employee.

The legislation of Uzbekistan on labour relations states that an employment contract with an employee may be terminated due to his refusal to continue working in new working conditions with the payment of a severance pay to the employee in the amount of not less than the average monthly earnings.

Upon the change of ownership of the enterprise, as well as its reorganization (merger, accession, division, transformation, allocation), labour relations continue with the consent of the employee.

In labour relations, the *work schedule* is important, which is determined by the internal rules approved by the employer after agreement with the trade union organization or other representatives of the employee.

Employee's duties are defined in the internal regulations, charters and regulations on labour discipline, local acts of the enterprise (collective agreements, instructions and etc.). The employer does not have the right to demand that the employee performs work that is not part of his duties, that is unlawful or threatening the life and health of others, and that degrading their dignity.

Labour relations have complex properties, so their institutional frameworks are also different (table 16.1).

Overtime is considered to be work in excess of the daily work (shift) duration set for the employee. Overtime work may be applied with the consent of the employee. According to the Labour Code of the Republic of Uzbekistan, the duration of overtime work must not exceed four hours for each employee for two consecutive days (for work with harmful and harsh working conditions – two hours a day) and one hundred and twenty hours a year. With a work shift of twelve hours, as well as work with particularly difficult and particularly harmful working conditions, overtime work is not allowed.

An employment contract may be terminated:

- by agreement of the parties. For this reason, all types of employment contracts may be terminated at any time;
- initiative of one of the parties;
- expiration of the term;
- circumstances beyond the control of the parties;
- the grounds provided for in the employment contract.

An employee has the right to terminate an employment contract concluded for an indefinite period, as well as a fixed-term employment contract before the expiration of its term, having warned the employer in writing in two weeks. After the expiration of the warning period, the employee has the right to stop work, and the employer is obliged to issue the employee a workbook and make a calculation with him.

Termination of an employment contract concluded for an indefinite period, as well as a fixed-term employment contract before the expiration of its term at the initiative of the employer must be justified.

The validity of termination of the employment contract means the presence of one of the following reasons:

– changes in technology, organization of production and labour, reduction in the volume of work resulting in a change in the number (staff) of workers or a change in the nature of work, or liquidation of an enterprise;

– non-compliance of the employee with the work performed due to inadequate qualifications or health status;

– systematic violation by an employee of his labour duties;

– a single gross violation by an employee of his or her duties.

A systematic violation of labour duties is recognized as repeated employee committing a disciplinary offense within a year from the date of bringing the employee to disciplinary or material liability or applying to him measures of influence provided for by legislative and other regulatory acts on labour for a previous violation of labour duties.

Table 16.1

Classification of labour relations

Types of labour relations	Essence of labour relations
On legal regulation	General relations (rules defined for all employees, without exception, this ensures the unity of regulation)
	Special relations (properties of labour of different categories of workers are taken into account (surcharge, overtime work, etc.)
Material liability	Liability of the employer (violation of the right to work, injuries, occupational diseases at work, etc.)
	Responsibility of the employee (damage to property of the employer)

Employment relations	Relations between employment services and employers (sharing information about free jobs, issuing job directions)
	Relations on vocational training (training, professional selection and advanced training)
Relations on labour protection and labour legislation control	Relations between the state labour inspectorate, specialized inspectorates, trade union organizations, their inspectorates and employers (with the advent of their employment relations, they are sent to protect labour activity and rights)
Procedural and labour relations	Relations between the employee and employers (their representatives), resolution of labour conflicts by means of the court, conciliation commissions, labour arbitrations, intermediaries

In cases of illegal termination of an employment contract or illegal transfer to another job, the employee must be reinstated by the employer, the court, or other competent authority.

16.2. Labour relations in entrepreneurial activity

In entrepreneurial activity there is no need for strict formalization of the process of decentralized regulation of labour relations. A similar possibility is excluded for any business entity using wage labour. Even at enterprises practicing illegitimate involvement of hired workers, there is an established procedure for remuneration, a work schedule, a list of possible sanctions for non-performance of duties, etc. fixed by verbal agreements. One of the signs of an employer with a high management organization culture of personal activity is always the personal management system enshrined in internal regulations, covering all aspects of labour relations.

Labour is a complex economic category, so it has many types. Summarizing, their work can be qualified as follows (fig. 16.2):

- on the property and content of labour;
- subject of labour;
- means and methods of labour;
- working conditions.

In the process of labour, people are involved in industrial relations on the basis of technologies used in production, specialization of production, labour cooperation and division of labour, property. In this regard, wage labour, independent labour and entrepreneurial labour are distinguished.

In modern economic relations, the central place is taken by *wage labour*, which can be defined as the labour of workers, who for a certain wage are hired by the owners of the means of production.

Independent labour in itself combined individual and entrepreneurial labour. However, for the implementation of *entrepreneurial labour*, in addition to working capacity, capital, labour resources and funds are required. In independent work, a person creates a workplace for himself.

According to international standards, the category of self-employed is divided into two main groups: individual entrepreneurs who do not use hired labour, and entrepreneurs who are not associated with corporate business, using wage labour.

2018 in Uzbekistan was declared as the Year of supporting active entrepreneurship, innovative ideas and technologies.

The President of the Republic of Uzbekistan Shavkat Mirziyoyev emphasized that active entrepreneurship is such a direction in the economy when business activities are organized on the basis of innovative, modern approaches, advanced technologies and management methods. When we say "active entrepreneurs", we mean businesspeople who are capable of producing competitive products, most importantly – creating new jobs, bringing benefits not only to themselves and their family, but to the whole society.

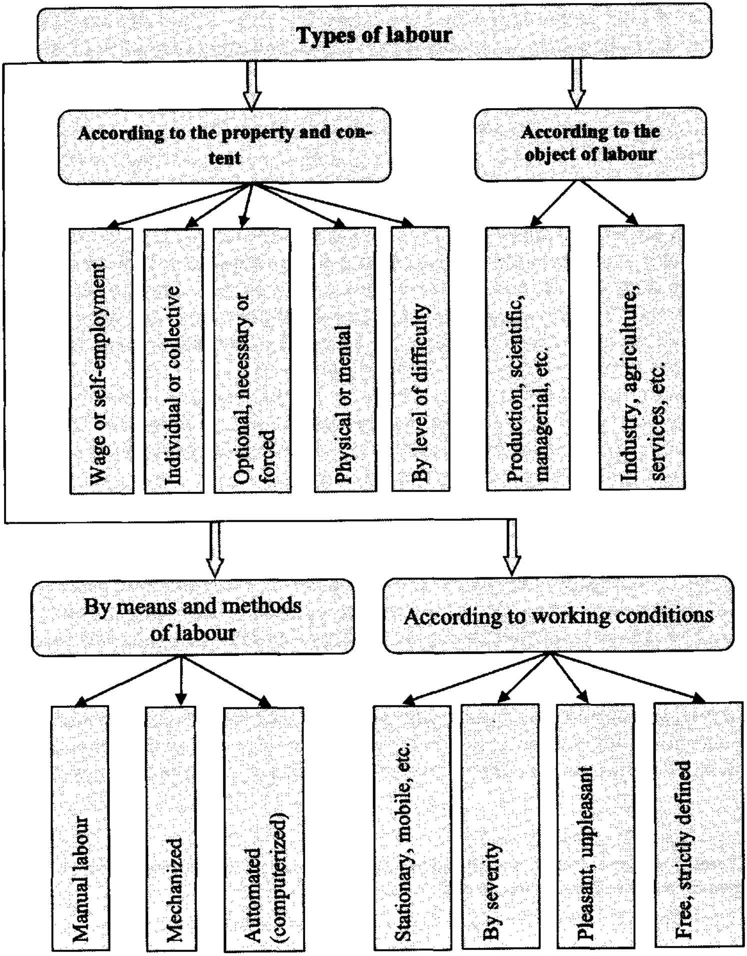


Fig. 16.3. Types of labour

Our first priority should be provision of all-round support to entrepreneurs, in particular, in creating favorable conditions for the import and introduction of high technologies and the latest scientific achievements into production[1].In Uzbekistan, favorable legal and organizational conditions are created for development of active entrepreneurship, the mechanisms for introducing innovative ideas and technologies, legal guarantees for protection of entrepreneurial structures, and prevention of unlawful interference in their activities are being improved.

In economic theory, there are various interpretations of entrepreneurial activity. The Irish scientist and economist Richard Cantillon, who was the first to introduce the concept of "entrepreneur" in scientific circulation, denoting a person who buys something at a certain price in order to sell at an unknown price. He drew attention to the divergence of supply and demand, the disruption of market equilibrium, which allow such people to extract speculative income. The scientist noted the risky activities of entrepreneurs, the flexibility of their economic behavior, non-standard decisions[2].

The founder of the classical theory, A. Smith, characterized the entrepreneur as the owner of capital, who, for the sake of some commercial idea, goes to economic risk and profit. In particular, the scientist paid attention to two important conditions for entrepreneurial activity:

firstly, he must have a personal benefit from the enterprise;

secondly, competition should keep it in certain conditions.

The entrepreneur was considered by A. Smith in the context of personification of capital as the owner and organizer of the economic process. He noted that entrepreneurs are key figures in the field of free competition[3].

The greatest contribution to the theory of entrepreneurship was made by Joseph Schumpeter. He called the entrepreneur of such an organizer of production, which paves new ways, carries out new combinations. According to the scientist, an entrepreneur is an economic entity that implements innovations in its activities. Innovation leads to an imbalance, a surge in business activity and, as a consequence, economic growth. The idea of creative entrepreneurship

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[1] Address of the President of the Republic of Uzbekistan Shavkat Mirziyoyev to the Oliy Majlis // Narodnoye slovo (People's word). – 2017. – December 23.

[2] q.v.: Grebel T. Entrepreneurship: A New. – New York, Routledge, 2004. – P. 5.

[3] q.v.: Entrepreneurship / ed. M.G. Lapusta – 4th ed., revised and amended. – M.: Infra-M, 2007. – P. 5.

proposed by J. Schumpeter is still the most common definition of the essence of entrepreneurship.

The scientist noted that the following are required for development of entrepreneurship:

- organizational and economic innovation;
- economic freedom[1].

Entrepreneurship, entrepreneurial activity is the activity aimed at systematic receipt of profit from the use of property, sale of goods, execution of work or provision of services, which is carried out independently at the own risk by a person registered in the manner prescribed by law as an individual entrepreneur.

According to the legislation of the Republic of Uzbekistan, *entrepreneurial activity* (*entrepreneurship*) is an initiative activity carried out by business entities in accordance with the legislation, aimed at obtaining income (profit) at the own risk and under the own property responsibility[2].

Thus, *entrepreneurial activity* implies the implementation of activities (for example, trading, consulting, technical development of documentation, analysis, creation of intangible objects, such as programs, etc.) in a certain area or, as in legislative norms, type of economic activity. That is, it is possible to carry out entrepreneurial activity for any type of economic activity. Thus, the activities conducted by the entrepreneur are specific.

In the country, entrepreneurial activity is carried out individually, by an individual without forming a legal entity, as well as by microfirms and small entrepreneurs (fig. 16.4).

Individual entrepreneurship is carried out by an individual entrepreneur independently, without the right to hire workers, on the basis of property owned by him by the right of ownership, as well as by virtue of other property rights that allow the possession and (or) use of property.

Individual entrepreneurs engaged in handicraft activities, for the release of goods (execution of work, provision of services) have the right to attract up to five students with payment for their labour.

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[1] q.v: Schumpeter J. Capitalism, Socialism and Democracy. – M.: Economics, 1995. - P. 183.

[2] The Law of the Republic of Uzbekistan "On guarantees of freedom of entrepreneurial activity" // Bulletin of the Oliy Majlis of the Republic of Uzbekistan. – 2000. – No. 5-6. – P. 140; 2001. – No. 5. – P. 89; 2003. – No. 5. – P. 67; 2004. – No. 1-2. – P. 18; Collection of legislation of the Republic of Uzbekistan. – 2004. – No. 25. – P. 287; No. 51. – P. 514; 2006. – No. 12-13. – P. 100; No. 37-38. – P. 371; No. 41. – P. 405; 2007. – No. 52. – P. 533; 2008. – No. 52. – P. 513; 2009. – No. 52. – P. 555; 2010. – No. 37. – P. 314. – No. 50. – P. 469; 2011. – No. 16. – P. 162; No. 37. – P. 374.

Individuals can carry out joint business activities without forming a legal entity in the form of family entrepreneurship, simple partnerships and dehkan farms without forming a legal entity.

Family entrepreneurship is an initiative activity carried out by family members in order to generate income (profit) at their own risk and under their property responsibility[1].

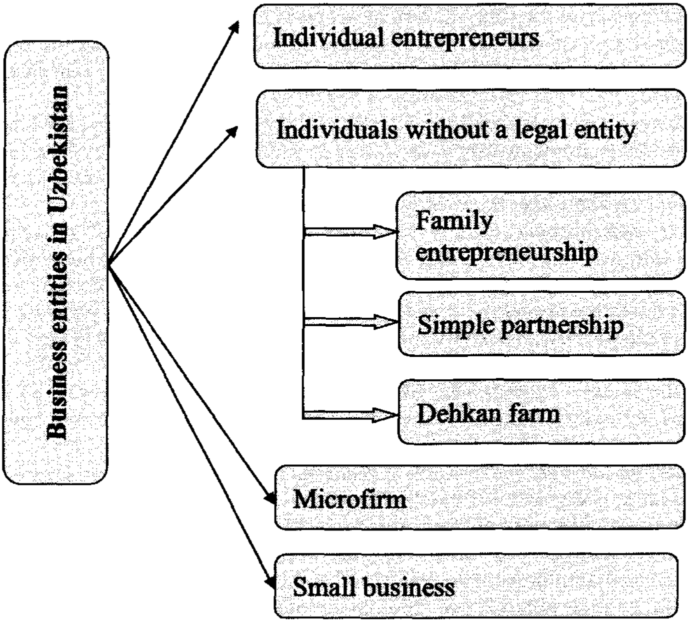

Fig. 16.4. Business entities in Uzbekistan

Individuals can be parties to a *simple partnership* contract concluded for joint business activities only after their state registration as individual entrepreneurs.

[1] The Law of the Republic of Uzbekistan "On family entrepreneurship" // Collection of legislation of the Republic of Uzbekistan. – 2012. – No. 17. – P. 188; 2013. – No. 18.– P. 233; 2015. – No. 33. – P. 439; 2017. – No. 1. – P. 1.

Dehkan farm is a family small-scale farm that produces and sells agricultural products based on the personal labour of family members on a land plot provided to the head of the family for lifetime inheritable possession.

Activities in the dehkan farm relate to entrepreneurship and can be carried out at the request of members of dehkan farm both with or without a legal entity.

Dehkan farm cannot use wage labour on a permanent basis in its activities[1].

The average annual number of employed workers in small business – microforms and small enterprises is established in legislative acts (table 16.2).

Table 16.2

The average annual number of employed workers in small business entities

Small business entities	**Industries**	**Average annual number of employees**
1	2	3
Microfirms	Engaged in manufacturing industries	Not more than 20 people
	Employed in the service sector and other non-manufacturing sectors	Not more than 10 people
	Employed in the wholesale, retail and catering industry	Not more than 5 people
Small enterprises	Employed in the light and food industries, metalworking and instrument making, woodworking, furniture and building materials industries	Not more than 100 people
	Employed in mechanical engineering, metallurgy, fuel and energy and chemical industries, production and processing of agricultural products, construction and other industrial production	Not more than 50 people
	Employed in science, scientific services, transport, communications, services (except insurance companies), trade and catering, and other non-productive areas	Not more than 25 people

Entrepreneur by nature is an initiative person. He prudently takes risks, uses available economic resources, introduces new technologies, organizes production, makes independent decisions and, as a result, contributes to meeting the

[1] The Law of the Republic of Uzbekistan "On dehkan farms" // National database of legislation. – 2018. – December 21. – No. 03/18/506/2356.

needs of society. Therefore, the stimulation of entrepreneurship, its full support is one of the main directions of the state economic policy.

16.3. INNOVATIVE ENTREPRENEURSHIP AS MODERN FORMS OF LABOUR RELATIONS

The concept of "entrepreneur" in the modern sense of the word is primarily an innovator. Therefore, J. Schumpeter noted that an entrepreneur is a person who opens new roads, uses new opportunities. According to the scientist, an entrepreneur:

– creates new material goods unknown to the consumer or old, but with new qualities;

– introduces new means of production not yet used in industrial production;

– occupies new markets or uses old ones on a larger scale;

– uses raw materials or semi-finished products, whether they are known or unknown;

– creates a business in a new way, for example, wins a monopoly position or overcomes a monopoly[1].

In the broad sense, innovative entrepreneurship is understood as the process of creating and using for commercial purposes technical and technological innovations. The bulk of innovative entrepreneurial activity is based on innovations in the field of products, work and services, which allow to form a qualitatively different market, to contribute to the satisfaction of new, even extraordinary, social needs. Innovations in this case serve as a specific tool for entrepreneurship. At the same time, non-innovation as such is an entrepreneurial tool, namely, a directed organized search for innovations, the constant focus on entrepreneurial structures.

In modern economic literature, we are talking about three main types of entrepreneurship in the innovation sphere:

1) innovative products, for creation of which, constant and qualitatively new updating of sales markets for products manufactured by the enterprise is required, ensuring sufficient conditions for the survival of the enterprise, in-

[1] q.v.: Innovation management: textbook / under the gen. V.M. Giusy. – 2nd edition, revised and supplemented – M. : RIOR: Infra-M, 2017. – P. 288.

creasing the volume of profit generated, expanding the market segment, effective cooperation with the existing clientele, strengthening independence and prestige of the enterprise, the formation of new jobs;

2) innovative technologies, for the effective use of which constant updating of the production potential of the enterprise is required, aimed at increasing labour productivity and the economy of energy, raw materials and other resources. The use of innovation technologies provides opportunities for increasing the volume of profit of the enterprise, improving the safety equipment of workers of the enterprise, taking measures for protecting the environment, the effective use of intercompany information systems;

3) social innovations, involving the systematic improvement of the company society. The use of socio-innovations makes it possible to conduct an effective search for labour power in the market, orient the team of the company towards solving the tasks set, and strengthen trusting relations between employees and the leadership of the enterprise.

As it is known, in the general case, entrepreneurial activity goes through four stages:

- active search for new ideas and analysis of the degree of their feasibility;
- formation of a business plan;
- active search for required resources;
- formation of a management mechanism for the new company.

Innovative entrepreneurship involves a more detailed transfer:

- development of a set of innovative ideas;
- sampling of a more promising idea;
- a detailed study of the embedded meaning and its expert evaluation;
- detailed elaboration of a business plan;
- examination of a business plan;
- production experiment and its testing in market conditions;
- mass production of innovative products and their market promotion.

Innovative entrepreneurship is a modern form of labour relations and can be implemented in joint-stock companies and small enterprises, and its implementation in a small innovative enterprise by an individual entrepreneur has its own advantages and disadvantages (table 16.3).

Table 16.3

Advantages and disadvantages of innovative entrepreneurship

Advantages of innovative entrepreneurship by an individual entrepreneur	Disadvantages of innovative entrepreneurship by an individual entrepreneur
Ease of state business registration	Difficulty in financial, economic, innovative and organizational activities
Ease of opening a bank account	Difficulty in solving the problem of collateral when obtaining a loan
Simplified tax system and relatively low tax rates	Difficulty of finding sources of external financing
Easy management and low costs	Difficulty of finding a client for the implementation of innovative products
Ease of reporting	Personal liability for obligations
Independence in doing business and strong motivation to achieve high efficiency	

The experience of foreign countries indicates the possibility of achieving high results by small innovative enterprises. For example, Alibaba Group Ltd. established by English language teacher Jack Ma in 1999, is currently the largest electronic business enterprise. The number of users of this company exceeded 280 million people. Alibaba Group Ltd.'s annual trading turnover is 300 billion US dollars.

Small innovative companies have the following properties:

1) due to proximity of consumers, in conditions of intense competition, the need for entering the market represents the possibility of forwarding many ideas;

2) thanks to the advantages of small business – flexibility, mobility, sufficiency of a small niche in the market, etc. – the possibility of achieving success;

3) simplicity and low cost in comparison with large companies;

4) an exact defined orientation of innovative activity;

5) possibility of obtaining high profits with small volumes of production and services, etc.

Small innovative entrepreneurship has its own stages of formation (fig. 16.5).

Stages of formation of small innovative entrepreneurship

⇓

"Seeding" stage

⇓

Startup

⇓

Initial growth

⇓

Expansion and stable growth

Fig. 16.5. Stages of formation of small innovative entrepreneurship

The initial stage of small innovative entrepreneurship is associated with basic and applied research. At this stage, the possibility of success in innovation, the time and means necessary for implementation of the idea are still unknown. Therefore, it is the most difficult in implementation of the project. Entrepreneurs *at this stage can hope for venture financing and support* for "business angels".

The initial stage of small innovative entrepreneurship is associated with basic and applied research. At this stage, the possibility of success in innovation, the time and means necessary to implement the idea are still unknown. Therefore, it is the most difficult in implementation of the project. Entrepreneurs at this stage can hope for venture financing and support for "business angels".

Venture (*venture* – risky business) *financing* is provision of funds for high-risk projects. Usually, such long-term financing is subject to the receipt of a part of the entrepreneur's shares and participation in profit. According to statistics, in the United States with venture financing, investors receive profit from only 10% of the project. This not only covers the costs of the previous 90% of inefficient projects, but also brings a large profit (table 16.4).

The next stage in formation of innovative entrepreneurship is a *startup*. This is usually a company with a short history of operations. This term was first used in Forbes magazine in August 1973 and Business Week in September 1977.

Table 16.4

Superprofits of some "business angels" in the United States from investment in entrepreneurship

Companies	Business Angels	Investments made thousand USD	Profit received, thousand USD
Apple Computer	Nike Markkula	91,0	154 000,0
Amazon.com	Thomas Alberd	100,0	26 000,0
Blue Rhino	Andrew Fillpowsk	500,0	24 000,0
Lifeminders.com	Frans Kok	100,0	3 000,0
Body Shop Ian	McGlinn	4 000 pound	42 000 000 pound

The creator of the customer development methodology, American entrepreneur Stephen Blank, in his book "The Four Steps to the Epiphany" in order to turn a startup into a successful company, outlined four stages that must be completed:

1. *Identify consumers.* At this stage of the startup, it is necessary to identify consumers for the intended production.

2. *Test the hypothesis of a specific consumer.* This stage covers hypothesis testing, as well as sales planning, marketing strategy, and the search for supporters of the company. If failure occurs at this stage, a return to the Identify Consumers phase is required.

3. *Attract consumers.* They proceed to this stage after confirming the usefulness of products. At the same time, the sale of products begins and investment in marketing is introduced.

4. *Creation of a company.* This is the ultimate goal of a startup. At this stage, the composition of the company is formed and the subsequent development strategy is determined.

At the early growth stage, innovative entrepreneurship proceeds after checking the usefulness of the company's products and successful sales in the market. During this period, the company's profit is negligible, but investors should not have doubts about the future of the business.

At the stage of expansion and stable development of the company, the prospects of the final product will be exactly known, investors are confident in the effectiveness of the innovative idea, and confidence arises in making big profits. As a result, the venture company takes measures for expanding the business, increasing the volume of innovative products.

16.4. Every family entrepreneur

One of the most effective forms of ensuring self-employment of the population is family business, which has many advantages (fig. 16.6).

Family business is becoming one of the types of entrepreneurial activity formed at the junction of two social institutions: family and business. At its essence, family business is a form of small business. The main features of family business are:

- using family property and cash resources as initial capital, as well as borrowing on the security of family property;
- using economic activity of labour of family members;
- consumer beginning in economic activity, i.e. production for own needs and for the market.

Family business has economic niches unclaimed by medium and large business. The experience of various countries shows that the family business has more than 200 types of activities. These are small wholesale and retail trade, household services, small restaurant business, transport services for the population, farming, rental of cultural and household equipment, minor repairs and construction of housing, summer cottages, garages, household and cultural buildings, accounting work and audit, crafts. Within the framework of the household, the organization of intellectual work is possible for specialists, scientific workers and young people who own computer technology.

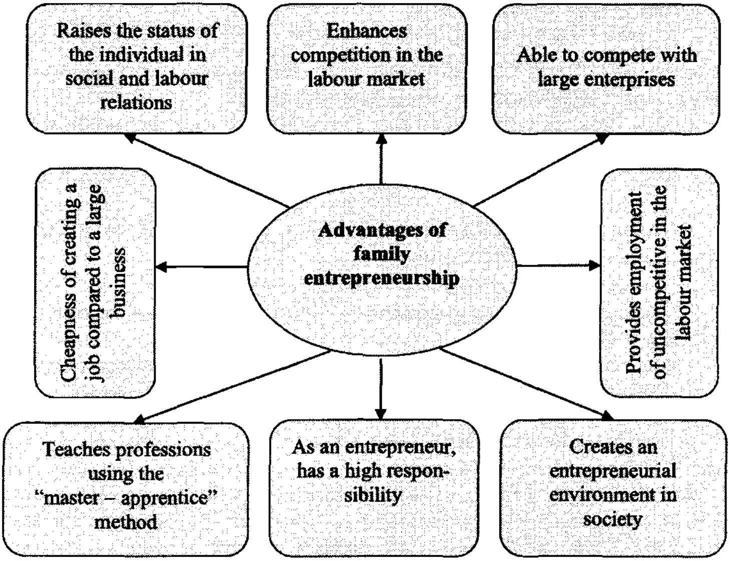

Fig. 16.6. Advantages of family entrepreneurship

Interaction of the business structure with family provides a high level of motivation for entrepreneurial activity, ensures stability of family business, its organizational unity. Particular importance of the family business is expressed in the possibility of introducing to work family members with disabilities, who cannot find work in other areas of activity.

In developed countries, family-owned enterprises play a key role in economic growth and increasing workplaces. In the United States, for example, more than 80% of all enterprises are family-owned, they provide about 60% of total employment and create about 80% of new jobs. In the United Kingdom, family business accounts for 75% of the total number of firms in the country, producing about 50% of the national product, and family business provides employment for half of the country's population. In the EU, family-owned firms account for 85%. Moreover, the composition of small enterprises is dominated by family (68%), that is, they make up the economically active part of small business.

The concept of "family business" is not new for the economy of Uzbekistan. Background and experience of its development can be found in the historical past.

In Central Asia, craftsmanship for centuries has been a common area of activity. Since ancient times, our ancestors were engaged in various crafts at home with participation of all family members. In many respects, traditions of unique handicraft production, economic prerequisites, secrets of professional skill and experience have been formed over the centuries and are passed down from generation to generation.

After independence, the first modern family enterprises appeared in Uzbekistan. A new stage in development of family entrepreneurship began with development and implementation of the program "*Every family entrepreneur*", the main areas of which are:

– providing all-round support for entrepreneurial initiatives of the population wishing to engage in entrepreneurship, granting them soft loans and providing responsible agencies with systematic practical assistance at every stage of organizing and conducting entrepreneurial activities;

– training population, not involved in entrepreneurship and income-generating activities, entrepreneurship skills and providing practical assistance to them in organizing the corresponding type of activity;

– creation of additional jobs by providing practical assistance in expanding activities of business entities;

– creation of opportunities for the population in earning additional income through provision of financial support in organization of home-based work and small producers (microfirms);

– creation of mini-clusters (fig. 16.7) – consolidation of entrepreneurs who have business skills and have achieved positive results in this industry, for families that have started to engage in new entrepreneurial activities in makhallas, taking into account the specialization of rural areas and makhallas (handicraft, clothing manufacture, cultivation of some types of agricultural products, organization of compact greenhouses, etc.);

– radical expansion of the volume of services provided to local family business entities, creation of market infrastructure facilities, service points for organizing trade in products produced by family business;

– creation of additional jobs and sources of income for the population by providing free land in rural areas and makhallas to newly created entities of family business;

– identification of business entities that temporarily do not carry out financial and economic activities and have not passed state registration, and implementation of specific measures on restoring and legalizing their activities.

To coordinate activities carried out within the framework of "Every family entrepreneur" program, organizational and coordinating working groups, special working groups for educating the population on entrepreneurship skills and giving recommendations to them, as well as territorial working groups for providing practical assistance in organizing entrepreneurial activity and monitoring, have been created.

Special working groups hold field trainings on the issues of conducting entrepreneurial activities and its types that meet local conditions with the aim of sending citizens who wish to engage in entrepreneurial activity and providing them with ready-made business plans prepared on the basis of specific calculations. They conduct research on domestic and foreign markets, databases on the list and volume of products for which there is a steady and relevant demand, as well as systematically provide recommendations to interested parties. Special working groups conduct presentations and assist in acquisition of modern mini-technologies and equipment for production of popular products for families wishing to engage in entrepreneurial activity.

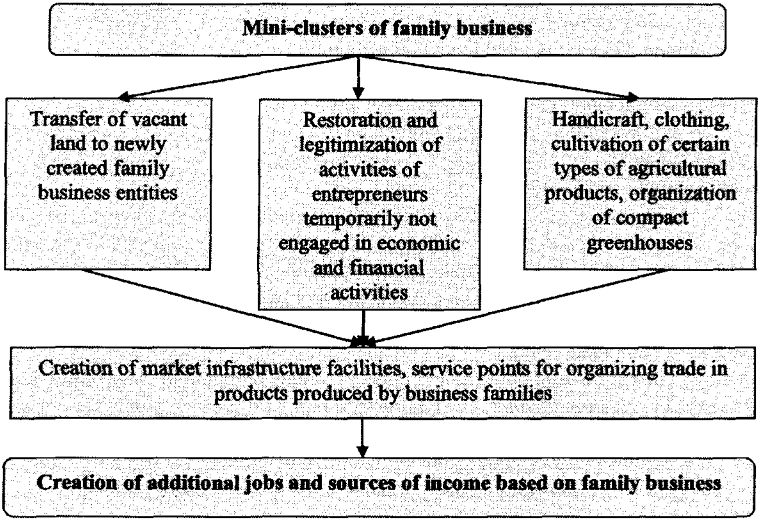

Fig. 16.7. Mini-clusters of family business

The State Fund for Supporting Development of Entrepreneurial Activities provides, as a priority, guarantees and compensations for covering interest expenses on loans allocated to business entities.

Commercial banks of the country issue soft loans to entrepreneurs in the following amounts:

1) up to 150 times the minimum wage – for development of family entrepreneurship based on recommendation of sector leaders on socio-economic development of territories and citizens' assemblies of makhallas;

2) up to 1,000 times the minimum wage – to small business entities registered in the established manner on the basis of guarantees of third parties, insurance policies, pledges of property purchased on credit, guarantees of the Fund and other types of collateral provided by the legislation;

3) more than 1,000 times the minimum wage – for lending to investment projects of business entities on the basis of the types of collateral provided by the legislation[1].

Implementation of "Every family entrepreneur" program was launched in Andijan region on June 10, 2018. The Ministry of Investments and Foreign Trade allocated 200 million USD to finance a regional program in this area by attracting credit lines from foreign financial institutions.

In other regions of Uzbekistan, the program "Every family entrepreneur" is implemented on the basis of relevant resolutions of the Cabinet of Ministers. It will cover every district and city, including remote regions and areas with harsh climatic conditions. Within the framework of this program, opportunities have been created for generating additional income for people living in high-rise buildings by creating microfirms for production of products in small volumes and at home.

16.5. Pension benefits: its models and properties

Pension provision is the basic and one of the most important social guarantees of stable development of society, since it directly affects the interests of the disabled population of any country, and indirectly, almost the entire able-bodied population. It acquires particular importance during the period of economic reforms, structural changes and crises.

[1] Resolution of the President of the Republic of Uzbekistan of June 7, 2018 "On implementation of the program "Every family entrepreneur" // UzA. – 2018. – June 8.

Pension is a regular (usually monthly) cash income paid to individuals who:

- have reached the retirement age (old-age pensions);
- have a disability;
- lost the breadwinner.

The pension system in Uzbekistan has two types:

1) state pension;
2) funded pension system.

State pension is a monthly state cash payment, the right to receive which is determined in accordance with conditions and norms established by the legislation. Types of state pensions are retirement, disability and survivor pensions.

Accumulative pension provision is providing citizens with additional funds to the state pension from individual accumulative pension accounts.

The guarantee of the rights of certain categories of citizens to retirement benefits in the Republic of Uzbekistan upon reaching the appropriate retirement age is ensured by their constitutional rights. Everyone is guaranteed social security by age, in case of illness, disability, loss of a breadwinner, upbringing children and in other cases established by law. State pensions and social benefits are established by law. In conditions of market relations, voluntary social insurance, the creation of additional forms of social security and charity are increasingly encouraged.

An important area of state pension provision is old-age pensions. Men are entitled to an old-age pension upon reaching 60 years and with at least 25 years of work experience, women – at 55 years of age and with at least 20 years of work experience.

The right to a pension in the event of the loss of the breadwinner is available to the disabled members of the family of the deceased breadwinner who were dependent on him.

Disabled family members are:

a) children, brothers, sisters and grandchildren under 16 years of age or older than this age, if they became disabled before reaching 16 years of age. Moreover, brothers, sisters and grandchildren – provided that they do not have able-bodied parents;

b) father, mother, stepfather, stepmother, wife, husband, if they have reached the retirement age provided for in the Article 7, or are disabled;

c) one of the parents or spouse, grandfather, grandmother, brother or sister, regardless of age and disability, if he (she) is busy with caring for children, brothers, sisters or grandchildren of the deceased breadwinner until they reach the age that entitles workers to stay on vacation without preserving childcare, and does not work;

d) grandfather and grandmother – in the absence of persons who are legally obligated to support them.

Students are eligible for a survivor's pension until they reach the age of 18.

Conditions, norms and procedures for the provision of pensions to servicemen, senior officials and rank-and-file personnel of internal affairs bodies, judges and prosecutors who have class ranks (military ranks), as well as members of their families, are established by the legislation of the Republic of Uzbekistan.

Three groups of disability are determined depending on the degree of loss of health or disability in the labour process. The causes and groups of disability, as well as the time of the onset of disability and the period for which disability is established, are determined by medical labour expert commissions (MLEC), acting on the basis of the Regulation on them, approved by the Cabinet of Ministers of the Republic of Uzbekistan.

Individual entrepreneurs, members of dehkan farms without a legal entity, as well as other citizens participate in the funded pension system on a voluntary basis. The state guarantees to citizens participating in the funded pension system the safety and payment of funds accumulated in individual funded pension accounts.

Currently, 3.1 million citizens in Uzbekistan receive state pension, of which over 120 thousand people continue labour activity in various sectors of the economy. However, until recently, the bulk of old-age pensioners with extensive experience and high qualifications, despite their ability to work, were not interested in continuing labour activity.

In Uzbekistan, in order to create favorable conditions for further social support of pensioners, fully involving their potential, experience and knowledge in implementing large-scale reforms in socio-economic and socio-political life of the country, increasing the effectiveness of the pension system, as well as implementation of international principles and standards in this field from January 1, 2019, all working pensioners received pensions in full.

Also, from January 1, 2019, the norms for the maximum amount of earnings accepted for calculating pensions changed from eight times to ten times the minimum wage[1].

In Uzbekistan, from January 1, 2019, insurance contributions of citizens to the off-budget Pension Fund, withheld from the income of citizens in the form

[1]Decree of the President of the Republic of Uzbekistan of December 12, 2018 "On additional measures for strengthening social support for pensioners and increasing the effectiveness of the pension system of citizens".

of wages, were canceled. Therefore, a new procedure was established for recording labour experience and determining average monthly earnings for pensions.

The *Concept on reforming the state pension system* has been developed, which provides for:

– introduction of incentive mechanisms for citizens' participation in the social insurance system by increasing the threshold average monthly wage accepted for calculating pensions;

– increasing in the amount of pensions by providing supplements to pensions;

– formation of a pension system that meets modern and international requirements.

According to this Concept, as a result of the reform of the national pension system, the social situation of 3.3 million people will be improved, representing one tenth of the total population. At the same time, those receiving old-age pensions amount to 2502.6 thousand people, disability – 168.5 thousand, survivors – 168.3 thousand and social benefits – 294.1 thousand people.

According to demographic forecasts carried out in Uzbekistan, by 2025 the population of retirement age will increase by 1.2 million people. This will require a corresponding increase in expenses of the Pension Fund.

According to the standards of the International Labour Organization, for stable development of the pension system, the ratio of payers to the pension fund to recipients should be 1:4. However, in Uzbekistan this figure is already 1:1.5. Only in the period from 2010 to 2018, the proportion of pensioners to working citizens increased by 5% – from 61 to 66%.

A significant part of funds of the Pension Fund is spent on financing preferential pensions. The number of concessional pensions in the country is 592.4 thousand, or 19.5% of all pensions granted. In general, the prescribed old-age pensions account for 23.7%. On average, 39.8 thousand pensions are assigned annually in the country.

In Uzbekistan, there is a significant difference in the amount of the pension and the length of service. The current pension system in the country provides for granting pensions to persons whose work experience is at least 7 years. This right allows people who have worked for only 7 years and made the smallest contribution to the Pension Fund to receive a retirement pension.

The ILO Social Security (Minimum Standards) Convention provides for 15 years of payment of contributions or employment for an old-age pension. In many countries, including the CIS, the minimum length of service for receiving an old-age pension is also 10-15 years. All this requires a review of pension policies taking into account international standards. Therefore, the Concept for reforming the state pension system provides for incentive measures for the difference between pension and work experience of an employee.

For the first time, Gaius Julius Caesar in the Roman Empire introduced military pensions at the state level. Pension benefits were introduced for navy officers in France in 1673. During the period of the French Revolution, in 1790, the Pensions Act was passed for civil servants who had served thirty years and reached 50 years of age.

In 1825, the first pension fund for officials was created in Prussia. Massive and universal pension provision first appeared in Germany in 1889, Austria in 1906, France, United Kingdom and Australia in 1908, Netherlands and Sweden in 1913, Italy in 1919, Canada in 1927, in the United States in 1935.

In Denmark, the Pension Act was first adopted in 1891. According to this law, every Danish citizen who has reached 60, without previously paying social insurance contributions, could receive a pension through the state treasury and the income of local communities for the rest of his life. In Denmark, at present, retirement age is the highest in the world (fig. 16.8).

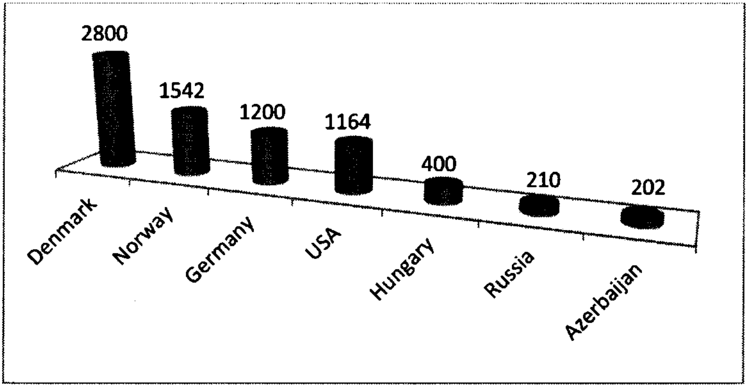

Fig. 16.8. Amount of average old-age pension per month in countries of the world (in USD)

There are three models of pension provision (table. 16.5):

1. Social assistance. In developed countries, it is considered a mechanism to combat poverty.

2. Compulsory pension insurance system for all employed and self-employed part of the population.

3. Personal voluntary pension insurance system.

Table 16.5

Models of pension systems in the countries of the world

Country	Models of pension systems	Retirement age	Pension insurance contributions
Germany	The first level is the mandatory pension system. The second level is the voluntary provision of old age workers by enterprises. The third level is the voluntary private pension provision	Women – 60 years old, men – 67 years old	20.3% in equal shares by employees and employers
United States	The first level is the distribution pension system. The second level is the funded pension system.	Women – 67 years old, men – 67 years old	10,7% in equal shares by employees and employers
Sweden	The first level is a conditionally accumulative system. The second level is a personally funded system. The third level is a voluntary personal system	Women – 65 years old, men – 65 years old	The first level is 16% of all incomes of citizens. The second level is 2.5% of the salary. The third level is 10% of the salary
Poland	The first level is a mandatory-general system. The second level is a mandatory funded system. The third level is a voluntary non-state pension system	Women – 60 years old, men – 65 years old	The first level – 19,5%. The second level – 12%. The third level – 7,5%

Application of these models serves two main functions of the state pension system: income redistribution and accumulation of funds for pension payments.

The first component of this system is provision by the state of the basic pension of all pensioners, regardless of their personal contribution to this system. The source of funding for this program is taxes. The types of taxes are determined by the laws of each country.

The second component of the system involves participation of economically active people in mandatory pension insurance system. The obligatory accumulation of funds for payment of pensions is due to the fact that employees themselves are not capable of accumulating funds necessary for the pension.

The third component of the state pension system in some cases is used instead of the second component of the system. It aims to encourage workers to voluntarily accumulate funds for their pension.

Currently, state pension systems are being revised in many countries due to demographic problems (population aging). In European Union countries, the average retirement age is 65. Back in 2010, the European Union recommended member states to establish an average age of 70 for retirement.

An aging population is an increase in the share of old-timers in the total population. Usually, demographic aging is determined on the basis of the number of 60-65-year-olds in the population. United Nations experts have developed a three-step scale to measure demographic aging (table 16.6).

Table 16.6

Population aging scale

Stages	**The proportion of 65-year-olds and above in the population,%**	**The level of population aging**
I	Less than 4,0	Demographically young
II	4,0–7,0	On the verge of demographic aging
III	Above 7,0	Demographic aging

Aging is inherent mainly in developed countries. For example, in Germany this figure is 24.0%, France – 23.7%, United Kingdom – 20.3%. Today, every 2 seconds in the world, two people celebrate their 60th birthday.

According to forecasts of the United Nations experts, the world's population aged 60 and over will amount to more than 2 billion people by 2050, having tripled once again over a period of 50 years. At the same time, by 2050, 22% of the world's population will be pensioners, and in developed countries, there will be a pensioner for every working citizen.

The process of population aging has led to the fact that declining generations of workers ensures the payment of pensions to ever-increasing generations of pensioners. By 2050, in the United States and Western Europe, the share of those receiving pensions will be twice that of young people. Today, the largest number of people aged 60 and older live in Europe (25.0%).

Population aging in Japan is much faster than in other countries. Here, the share of citizens over 65 in the total population by 2025 will increase to 27.4%, and in 2050 it will reach 32.3%.

The population of China is rapidly aging. Now in this country there are 240 million people over the age of 60 years (17.3% of the total population compared to 7.4% in 1950). It is expected that by 2030 people of respectable age in this country will make up a quarter of the total population.

At the same time, the number of elderly people is increasing due to the improvement in the quality of healthcare, the accelerated development of medicine and well-being of the population. Longevity is one of the most outstanding achievements of mankind.

16.6. Elimination of Forced Labour

Forced labour is any work or service required under the threat of any punishment from a person who did not offer his services voluntarily. According to Article 8, Paragraph 3, of the International Covenant on Civil and Political Rights of 1966, no one shall be required to perform forced or compulsory labour. Moreover, according to the Convention, the "forced or compulsory labour" shall not include:

a) any work or service normally required of a person who is under detention in consequence of a lawful order of a court, or of a person during conditional release from such detention;

b) any service of a military character and, in countries where conscientious objection is recognized, any national service required by law of conscientious objectors;

c) any service exacted in cases of emergency or calamity threatening the life or well-being of the community;

d) any work or service which forms part of normal civil obligations.

According to Convention No. 29 On Forced Labour of the International Labour Organization, the term *forced or compulsory labour* shall mean all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily.

The competent authority shall not impose or permit the imposition of forced or compulsory labour for the benefit of private individuals, companies or associations. The responsibility for every decision to have recourse to forced or compulsory labour shall rest with the highest civil authority in the territory concerned. Only adult able-bodied males who are of an apparent age of not less than 18 and not more than 45 years may be called upon for forced or compulsory labour. The following limitations and conditions shall apply:

(a) whenever possible prior determination by a medical officer appointed by the administration that the persons concerned are not suffering from any infectious or contagious disease and that they are physically fit for the work required and for the conditions under which it is to be carried out;

(b) exemption of school teachers and pupils and officials of the administration in general;

ILO Convention No. 105 On the Abolition of Forced Labour stipulates that each Member of the International Labour Organization which ratifies this Convention undertakes to suppress and not to make use of any form of forced or compulsory labour:

(a) as a means of political coercion or education or as a punishment for holding or expressing political views or views ideologically opposed to the established political, social or economic system;

(b) as a method of mobilising and using labour for purposes of economic development;

(c) as a means of labour discipline;

(d) as a punishment for having participated in strikes;

(e) as a means of racial, social, national or religious discrimination.

The national legislation of the Republic of Uzbekistan prohibits the use of forced labour. Article 37 of the Constitution of the Republic of Uzbekistan states that every citizen shall be entitled to fair conditions of labour.

Article 7 of the Labour Code of the Republic of Uzbekistan clearly stipulates that forced labour, i.e. coercion to performance of work under the threat of application of any punishment (including as means of maintenance of labour discipline) is forbidden. Work which accomplishment is required is not considered forced labour:

- based on legal acts for military or alternative service;
- in the conditions of emergency state;
- owing to the court verdict which took legal effect;
- in other cases, provided by the law.

The Law of the Republic of Uzbekistan "On combating trafficking in human beings" defines mechanisms to counteract any form of human exploitation, including forced labour and illegal activities.

In accordance with Article 2 of the Law of the Republic of Uzbekistan "On employment of the population", citizens have exclusive right to dispose of their abilities for production and creative work and to carry out any activity not prohibited by law, including not related to the payment of work in progress. These rules are provided for in Convention No. 29 of the International Labour Organization.

Resolution of the Senate of the Oliy Majlis of the Republic of Uzbekistan of October 4, 2017 "On strengthening measures for ensuring guaranteed labour rights of citizens in accordance with the legislation of the Republic of Uzbekistan and international labour standards", the institute of parliamentary control was introduced. Its task is to prevent the possible risks of using child and forced labour in any form.

On May 10, 2018, the Cabinet of Ministers of the Republic of Uzbekistan adopted the Resolution "On additional measures for elimination of forced labour in the Republic of Uzbekistan". According to this Resolution:

Firstly, the government, taking into account that the Constitution and other legislative acts of the Republic of Uzbekistan guarantee the labour rights of citizens, enshrines the rules that prohibit the use of forced labour in any form, forcing work to be performed under the threat of any punishment, the Chairman of the Council of Ministers of the Republic of Karakalpakstan, the khokims of the regions and the city of Tashkent, cities and districts, heads of state and economic management bodies at all levels were instructed to:

– promptly respond and suppress all types of forced involvement of citizens, in particular, workers in the field of education, healthcare, other budgetary and other organizations, students of education institutions to forced labour, including construction and landscaping of territories of districts and cities, collecting scrap metal and waste paper, as well as seasonal work in agriculture and other similar work;

– unconditionally take harsh disciplinary measures of responding to officials who directly or indirectly allowed the involvement of citizens, in particular, workers of the spheres of education, healthcare, other budgetary and other organizations, students of education institutions for forced labour;

– prohibit carrying out voluntary activities and other works on a voluntary basis along highways, on busy streets, water bodies, coastal areas and zones, construction sites, roofs of buildings and structures, hazardous production facilities, as well as in other places where there is a risk of harm to human life and health.

4. *Secondly*, the General Prosecutor's Office of the Republic of Uzbekistan recommended:

– strengthen supervision of compliance with legislation in the field of implementation of guaranteed labour rights of citizens and prevention of forced labour in the Republic of Uzbekistan, to increase the effectiveness of inspections in this direction, and in case of detection of forced labour, ensure the application of appropriate measures of responsibility to guilty persons.

Thirdly, to the Ministry of Employment and Labour Relations:

1) to strengthen control measures for implementation of the laws of the Republic of Uzbekistan for ensuring guaranteed labour rights of workers, timely identification and elimination of possible risks of using forced labour in any form;

2) together with the Council of the Federation of Trade Unions, the Chamber of Commerce and Industry and the Council of Farmers, Dehkan Farms and Owners of Household Lands of Uzbekistan, ensure:

– systematic monitoring of the activities of state bodies, including at places, for observing the rights and interests of workers, especially during active agricultural activities;

– based on the results of monitoring the organization of public hearings with participation of civil society institutions, including in the regions during which each fact of the use of forced labour should be critically discussed, with the aim of preventing such cases from happening in the future.

Fourthly, to the Council of the Federation of Trade Unions of Uzbekistan:

– to strengthen measures of responsibility of primary links of trade unions for compliance with the requirements of collective agreements and labour legislation in organizations, in particular prevention of the use of forced labour;

– in cases of detection of forced labour facts, immediately report them to the prosecutor's office and the State Labour Inspectorate of the Ministry of Employment and Labour Relations of the Republic of Uzbekistan and its territorial divisions;

– in collaboration with other non-governmental non-profit organizations and the mass media, intensify public control in this area.

Fifthly, the Ministry of Employment and Labour Relations jointly with the Ministry of Justice and the Council of the Federation of Trade Unions of Uzbekistan:

– toughen liability measures against officials guilty of illegally attracting citizens to forced community works or the use of forced labour in any other form;

– expand powers of the State Labour Inspectorate of the Ministry of Employment and Labour Relations of the Republic of Uzbekistan, including in terms of strengthening control over compliance with labour laws by state bodies and other organizations.

On April 1, 2019, the Report of the International Labour Organization on Elimination of Child and Forced Labour in Uzbekistan was published in Brussels. The ILO confirmed that systematic use of child and forced labour in the cotton industry of Uzbekistan came to an end.

CHAPTER XVII.

SOCIAL AND LABOUR RELATIONS AND THEIR REGULATION

17.1. SOCIAL AND LABOUR RELATIONS, THEIR TYPES AND MEANS OF REGULATION

Social and labour relations are objectively existing interdependence and interaction of subjects of these relations in the labour process, aimed at regulating the quality of labour life.

Social and labour relations as a system have two forms of existence. The first is the *actual social and labour relations*, and the second is the *social and labour legal relations*, reflecting the projection of the actual social and labour relations on an institutional, legislative, rule-making level.

The following structural components are distinguished in the system of social and labour relations:

- subjects and levels of social and labour relations;
- subjects of social and labour relations and their structure;
- principles and types of social and labour relations.

The *subject* of social and labour relations can be an individual, a group of individuals united by some system-forming sign, and therefore social-labour relations can have both an individual and a collective form of manifestation.

Subjects of social and labour relations in a market economy are considered to be the employee, entrepreneur (employer) and the state.

The *subject* of social and labour relations may be certain aspects of a person's labour life, the content of which depends on the goals and tasks that a person solves on each of his life cycles. In human life, it is customary to distinguish several cycles (three according to the Western model, four according to the Japanese): the period from birth to the end of school education, the period of admission to work and establishing a family, the period of labour life, and the period of old age.

Social and labour relations are relations aimed at regulating labour activity between subjects of these relations – an employee and an employer with participation of the state.

Social and labour relations are formed directly by participants in the labour process under the influence of needs, interests, values, circumstances of labour activity.

Social and labour relations as a system have two forms:

1) practical social and labour relations existing at the objective and subjective levels;

2) expression of social and labour relations in the institutional form, legislation and lawmaking.

The following structures are distinguished in the system of social and labour relations (fig. 17.1):

– subjects of social and labour relations (employees, employers, their representatives, the state);

– the subject of social and labour relations and their structure (personnel policy at the enterprise, certification of employees, monitoring and analysis of labour activity, assessment and stimulation of labour efficiency).

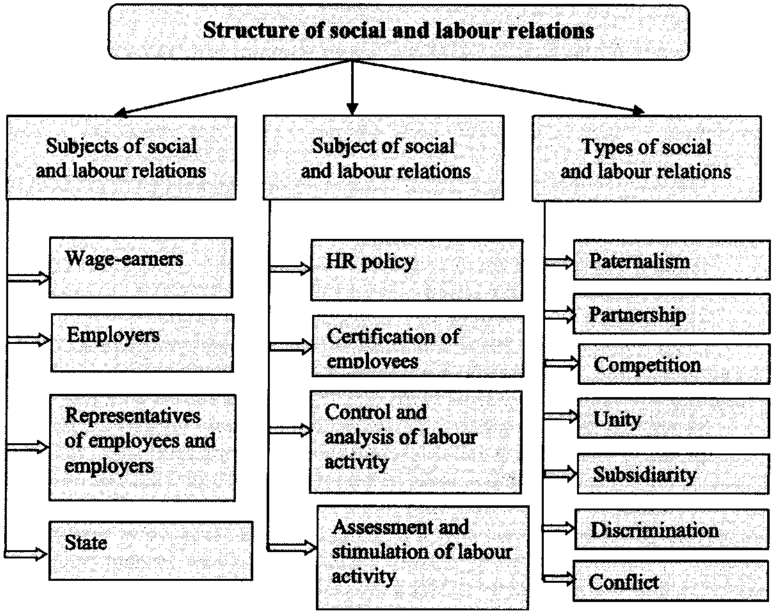

Fig. 17.1. Structure of social and labour relations

An employee, concluding an employment contract with the employer, enters into social and labour relations with him. The subject of social-labour relations is a group of workers with common needs, interests and values.

The status of an employee in social and labour relations provides for the possession of certain qualities. Such properties of an employee, in addition to his age, gender, education and skill level, mobility, include willingness and ability to personally participate in social and labour relations.

Development of social and labour relations requires the existence of institutional structures – speaking on behalf of *trade union* workers. Trade union organizations are created to protect the interests of workers. The most important tasks of trade unions are to ensure employment of workers and decent pay.

According to international terminology, an *employer* is an individual who enters into social and labour relations with a hired worker to carry out labour activities for remuneration. Usually the employer is the owner of the means of production. At the same time, the state-owned employer himself becomes an employee.

The role of the state in social and labour relations is manifested in its law-making, protection of rights, regulation and employability.

In social and labour relations, the interconnection of their subjects takes the forms: worker – employer, trade unions – employer, employer – state, worker – state, etc.

The subject of social and labour relations is determined by the goals of the employee at various stages of his labour activity. At the same time, three life stages of the employee are distinguished:

1) the period from birth to completion of education;
2) the period of labour activity;
3) the period after completion of labour activity.

In the first period, labour relations are mainly associated with studies. In the second period, the most important thing is employment, working conditions, remuneration and dismissal from work. The third period begins with retirement.

Social and labour relations operate not only directly in the process of labour (primary), but also beyond it (secondary), i.e. during recreation, the restoration of the expended in the process of labour and development of physical and spiritual forces of a man, improving the level of health and working capacity, the expanded concept of rest after a working day, a working week, rest and restoration of the ability to work actively during the next rest. Primary social and labour relations arise directly between the employee and the employer (employment, organization and remuneration). Secondary social and labour relations, although not directly related to labour activity, are related to them (vocational training, social protection, retirement benefits for employees, etc.).

The following types of social and labour relations are distinguished (fig. 17.2).

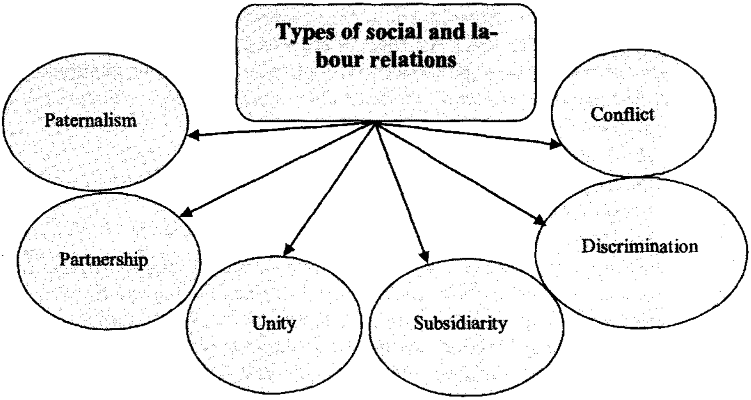

Fig. 17.2. Types of social and labour relations

1. *Paternalism* is usually based on the regulation of social and labour relations by the state or by the employee (state and owner). Although this type provides for a "paternal" relation, in most cases it takes on an administrative-command style.

2. *Partnership*. This type of social and labour relations is inherent in Germany. In this state, these relations are fixed in detail by normative-legal acts, while workers, employers and the state interact as partners in implementation of socio-economic tasks. In partnership, trade unions not only act as advocates for the interests of employees, but are also struggling to increase the efficiency of production of enterprises and the national economy as a whole.

3. *Unity* is based on the common interests of the labour collective, provides for common responsibility and mutual assistance in achieving production efficiency.

4. *Subsidiarity*. In the context of social and labour relations, subsidiarity implies that the subjects of these relations should proceed from personal interest and personal responsibility for the exercise of their rights and obligations. This personal initiative of behavior is called upon to serve as an additional (i.e., subsidiary) measure to the complex of funds provided by the state. The state, in turn, expects the manifestation of an initiative from below.

5. *Discrimination*. In the labour field, it includes discrimination in hiring, promotion, distribution of duties, dismissal and compensation on the basis of age, gender, race, nationality, etc. With discrimination, the principle of equality in the labour market is violated.

6. *Conflict* is the most acute contradiction in social and labour relations. Labour conflicts are manifested in the form of labour disputes, mass layoffs, strikes.

There are mainly three national models of social and labour relations.

The *European (continental) model* is characterized by:

– high level of legal protection of the employee;
– strict labour law;
– industry tariff regulation;
– legislatively established high minimum wages;
– relatively small wage differentiation.

Obviously, at its core it is a socio-democratic model inherent in the Scandinavian countries (Sweden, Norway, Denmark). Namely, the continental model mostly reflects and implements the requirements and recommendations of the International Labour Organization. At the same time, the growth of unemployment, problems of employing young people and people with low qualifications, weakening of the stimulating role of wages observed in the last decade, indicate a certain crisis of this model.

The United States, United Kingdom, Australia and New Zealand are united not only by the official language, but also by the *Anglo-Saxon model of social and labour relations*. It is characterized by:

– maturity and development of labour and civil law in the country;
– lack of a centralized system of employment management and the fight against unemployment;
– provision of broad rights and freedoms to employers regarding the hiring and dismissal of employees;
– functioning of models of corporate, collective contractual relations and the absence of such relations at the level of industries and regions; a high degree of differentiation in wages;
– the minimum wage in the country is not always legislatively fixed.

Japanese stands out among *Asian models of social and labour relations*. This model is characterized by:

– prevalence of the principle of lifelong hiring of an employee;
– direct dependence of wages and social benefits on the duration of work for the company;
– insignificant differentiation of labour remuneration between low-skilled and highly skilled workers;
– presence of trade unions in the intra-company labour market;
– high level of internal patriotism.

Another feature of the Japanese model is unemployment prevention strategy, when the payroll is maintained by transferring the employee to other enterprises of the company, or on a shorter working day.

In the last decade, the factor that increasingly determines social and labour relations has become the ***globalization of the economy*** – the rapid growth of world trade and investment flows, rapid technological changes that form macroeconomic and microeconomic policies at national levels.

17.2. SOCIAL PARTNERSHIP BETWEEN GOVERNMENT, EMPLOYERS AND EMPLOYEES

Social partnership is a category of a market society that arises at a certain level of its maturity, together with the emergence of a civilized labour market and trade unions as representatives of workers.

Social partnership is a system of relations between representatives of workers, employers and government bodies, aimed at harmonizing the interests of the parties to a labour agreement on the issues of regulation of labour relations, as well as establishing a higher level of social guarantees for workers.

Social partnership between the state, workers and employers (their representatives) is called *tripartism* (from Latin *tripartitus* – consists of three parts). Tripartism is defined by the ILO as the interaction of the government, employers and employees (through its representatives) as equal and independent partners in the search for solutions to issues of mutual interest[1].

In the documents of the symposium on implementation of tripartism in Europe in 1992 in Brussels, it is noted that "tripartism is a transition to social relations based on participation of interested parties in decision-making regarding political democracy and a market economy, especially principles of freedom, pluralism"[2].

Tripartism was formed in Europe in the early 20th century. So, in 1900 the Swedish Trade Union Confederation (LO) was created. Two years later, the Swedish Employers Association (SAF). In 1906, both national associations mutually recognized the rights of each other.

In 1938, in Sweden, the Trade Union Confederation and the Employers Association, with participation of the government, signed the joint Saltsjöbaden Agreement on peaceful methods of resolving labour conflicts and collective bargaining, which became the legal basis for tripartism.

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[1] q.v.: Social dialogue and tripartism. – Geneva: International Labour Office, 2018. – P. 3.

[2] q.v.: Hethy L. Social Dialogue and the Expanding World. European Trade Union Institute. – Bruxelles, 2001. – P. 6.

Tripartism in this country has the following properties:

- every two years at the national level, collective agreements are centrally concluded;
- the state acts as an arbitrator in the collective bargaining process and, if trade unions and employers fail to agree on controversial issues, prepares a compromise solution;
- if under collective agreements their rights are not violated, the state does not take additional regulatory measures with respect to them;
- full implementation of collective agreements guarantees the absence of labour conflicts.

International Labour Organization has adopted a number of conventions and recommendations on social partnership of workers, employers (their representatives) and the state. They include Convention No. 144 on Tripartite Consultation to Promote the Implementation of International Labour Standards, Convention 154 on Promoting Collective Bargaining, resolution adopted by the International Labour Conference on June 18, 2002 on Tripartism and Social Dialogue.

These international documents enshrined the basic principles of social partnership between the state, workers and employers (their representatives). These include:

- *the principle of equality of the parties*. It provides for participation of both the state, and business, and employers in all tripartism bodies on the basis of equality, as well as a ban on discrimination and provision of benefits to one of the parties;
- *the principle of respect and consideration of interests of the parties*. Labour relations by themselves envisage differences between employees and employers. Despite this, the parties should, in the event of a conflict, act in accordance with this principle;
- *the interest of the parties in participation of contractual relations*. This especially concerns the state, as it is designed to regulate the interests of employees and employers at the macro level;
- *assistance of the state to development of cooperation on a democratic basis*. This principle, on the one hand, strengthens the role of the state as an arbiter, and on the other, it emphasizes the importance of partnership between the parties on a democratic basis;
- *credentials of representatives of the parties*. This principle provides for the mandatory presence of the powers of representatives of the parties when conducting collective bargaining;
- *voluntariness in accepting obligations*. The effectiveness and efficiency of the agreements reached depend on compliance with this principle. The state, implementing this principle, does not have the right not to take into account the interests of a party or forward impossible requirements;

– *mandatory implementation of contracts, agreements.* Without this principle, tripartism itself cannot act. However, this issue refers to voluntary commitments. Responsibility for non-performance of contracts, agreements is directly based on this principle;

– *control over the implementation of collective bargaining agreements.* This principle is especially important to prevent employer abuse;

– *responsibility for failure to comply with collective contracts and agreements.* This principle requires the definition of measures of responsibility for non-compliance with contracts and agreements.

Forms of social partnership:

1. Collective bargaining at the conclusion of collective agreements.
2. Mutual consultations (negotiations) – in cases established by the legislation (for example, upon dismissal of an employee who is a member of a trade union when the trade union does not agree.
3. Participation of employees and their representatives in the management of the organization.
4. Participation of representatives of employees and employers in pre-trial resolution of labour disputes.

The main principles of social partnership include:

– equality of parties (each of the parties may initiate negotiations);

– respect and consideration of the interests of the parties (the interests of the parties are agreed upon during negotiations);

– the interest of the parties in contractual relations (the legislator gives more and more questions to the discretion of the parties who will have to agree);

– assistance of the state in strengthening and developing social partnership on a democratic basis (special bodies are being created to assist in settlement of social and labour relations);

– compliance by the parties and their representatives with labour legislation and other normative legal acts containing labour law norms (each of the parties signing a contract or agreement is obliged to fulfill the conditions);

– the authority of representatives of the parties (representatives of employees are elected at a meeting (conference), their authority is confirmed by the protocol of the meeting, representatives of the employer are appointed, and their authority is confirmed by an order);

– freedom of choice when discussing issues that are part of the sphere of labour (the Labour Code allows the parties to choose any circle of issues, not just the recommended one);

– voluntary acceptance by the parties of obligations without coercion and threats);

– the reality of obligations assumed by the parties (the obligations assumed must be feasible);

– mandatory implementation of collective contracts, agreements;

– control over the implementation of accepted collective contracts, agreements (carried out by supervisory authorities);

– responsibility of the parties, their representatives for failure to fulfill collective contracts, agreements through their fault (administrative liability is established).

Uzbekistan adopted the Law "On Social Partnership". It determines that a social partnership is the interaction of state bodies with non-governmental nonprofit organizations and other civil society institutions in development and implementation of programs for the country's socio-economic development, including sectoral, territorial programs, as well as normative legal acts and other decisions affecting the rights and legitimate interests of citizens[1].

Based on social and labour relations, issues requiring solutions, general, sectoral and territorial collective agreements are concluded between social partners.

On a national scale, social partnership in the field of social and labour relations is carried out on the basis of a General Agreement between the Cabinet of Ministers of the Republic of Uzbekistan, the Council of the Federation of Trade Unions of Uzbekistan, and the Chamber of Commerce and Industry of the Republic of Uzbekistan. The *General Agreement* defines the general principles for implementation of an agreed policy on socio-economic issues.

In particular, the General Agreement on Social and Economic Issues for 2017-2019 between the Cabinet of Ministers of the Republic of Uzbekistan, the Council of the Federation of Trade Unions of Uzbekistan, the Chamber of Commerce and Industry of the Republic of Uzbekistan identified the following issues:

- development of the economy, domestic production and entrepreneurship;
- providing legal protection for workers;
- improving wages, increasing incomes and living standards of the population;
- development of the labour market, promotion of employment;
- ensuring labour safety and security;
- providing social guarantees and social protection for workers;
- provision of additional guarantees for women and youth;
- development of social dialogue and social partnership.

Sectoral agreements are concluded between relevant trade unions (other representative bodies of workers) and employers (their associations), and at the proposal of the parties and the Ministry of Employment and Labour Relations of the

[1] Law of the Republic of Uzbekistan "On social partnership" // National database of legislation.

Republic of Uzbekistan. Sectoral agreements determine the main areas of socio-economic development of the industry, working conditions and its payment, social guarantees for workers in the industry (professional groups).

Territorial agreements are concluded between the relevant trade unions (other representative bodies of workers) and employers (their associations), and at the proposal of the parties and local executive authorities. Territorial agreements establish the conditions for resolving certain socio-economic problems associated with territorial features.

General, sectoral and territorial agreements includes provisions:

– on payment, conditions and labour protection, the regime of work and rest;

– on the mechanism of regulation of labour remuneration, based on changes in prices, inflation, performance indicators specified in the agreements;

– on compensatory surcharges, the minimum amount of which is prescribed by the legislation;

– on promotion of employment, retraining workers;

– on ensuring environmental safety and protecting the health of workers in production;

– on special events for social protection of workers and their family members;

– on the observance of interests of workers in privatization of state enterprises;

– on benefits to enterprises creating additional jobs using the labour of disabled people and youth (including persons under the age of eighteen);

– on development of social partnership and triangular cooperation, the promotion of collective bargaining, prevention of labour conflicts, on strengthening of labour discipline.

Monitoring the implementation of general, sectoral and territorial agreements is carried out directly by the parties or representatives authorized by them, as well as relevant bodies of the Ministry of Employment and Labour Relations of the Republic of Uzbekistan.

17.3. THE ROLE OF PUBLIC-PRIVATE PARTNERSHIP IN SOCIAL AND LABOUR RELATIONS

The term "partnership between public and private sectors" (public-private partnerships) refers to long-term contractual partnership between public and private sector entities (partners) aimed at financing, development, implementation and operation of infrastructural projects that was usually provided by the public sector.

Public-private partnership is equal and mutually beneficial cooperation between the state and business. The state is interested in presenting to the population and economic agents the infrastructure of qualitative services of socially-oriented sectors, and improving their quality. Partnership with private business provides an opportunity to increase the volume of production of goods and provision of services, save budget funds, improve customer satisfaction, as well as implement projects that are not intended to be implemented at the expense of budget funds.

The President of the Republic of Uzbekistan Shavkat Mirziyoyev emphasized that regional projects on organization of modern production and engineering and communication networks should be implemented on the basis of expanding public-private partnership. However, it should be noted that activity in this direction is not carried out at the proper level. Therefore, we need to develop and implement a Concept for implementing public-private partnership[1].

The mechanisms of public-private partnership are beneficial to both parties (table. 17.1).

With such a partnership, private business is able to use the resources of the state, which under other circumstances, it was forced to rent or buy. The most important thing is that in market conditions, private business receives guaranteed orders from the state or with the help of the state – the market for the sale of goods or the provision of services.

Public-private partnership provides for the use of any resource of private business to meet social needs. Moreover, these resources can be capital, know-how, even the experience of private business managers. Social needs are understood as road construction, housing and communal services, social infrastructure, communications, real estate, etc.

Public-private partnership can have any mutually beneficial forms of interaction between the state and business. Basically they are registered in the following forms:

- government contracts;

[1] Address of the President of the Republic of Uzbekistan Shavkat Mirziyoyev to the Oliy Majlis // Narodnoye slovo (People's word). – 2017. – December 23.

- rental relations;
- financial rent (leasing);
- public-private enterprises;
- production sharing agreements;
- concession agreements.

Public-private partnership can be implemented in any field, where government agencies act as a supplier, but most often projects are implemented:

- during the construction and modernization of infrastructure facilities (roads, power lines, airports);
- in social sphere (education, healthcare, social services);
- public utilities (creation and maintenance of engineering communications, repair of buildings);
- in the field of applied science, innovation and technologies (development and implementation of new technologies, production of models of equipment, industrial samples of goods);
- in provision of public services.

Table 17.1

Advantages of public-private partnership mechanism

For the state	**For private business**
1	2
The possibility of attracting a private investor to financing the creation of the facility allows to implement infrastructure projects even in the absence of a sufficient amount of budget funds without increasing the debt burden in the current period	Strengthening the terms of interaction with the state within the framework of a long-term agreement
The possibility of combining various stages within the framework of one project (design, construction and operation)	The possibility of obtaining a land plot for the implementation of partnership
The ability to purchase not an object, but a service through payments tied to the volume and quality of its provision, which also contributes to development of competition in the market of socially significant services	The possibility of co-financing the project by the state, obtaining additional guarantees (including minimum profitability)

The ability to use the resources and competencies of a private partner for providing socially significant services, improving their quality and the ability to increase their project revenue through the provision of additional paid services and/or the use of various solutions that reduce costs at the stage of customer satisfaction, attraction of new technologies	The ability to increase project revenue by providing additional paid services and/or using various solutions that reduce costs at the stage of creation or operation
Transfer of part of the project risks to a private partner	Transfer of part of the risks on the project to the state
Decreased state presence in the economy	Consolidation in areas traditionally occupied by the state
In case of a private initiative – the opportunity to transfer the costs associated with development of the project to the private initiator of the project and reduce the time for selecting an investor, as well as to increase the efficiency of managing the property complex	In case of a private initiative – the opportunity to independently work out the structure of the project and propose a draft agreement, shorten the term for concluding an agreement

Public-private partnerships have several characteristics that distinguish it from other forms of interaction between the state and private business:

1) conclusion of a legally binding agreement;

2) joint participation in implementation of the project;

3) uniting resources of public and private partners – for example, a private partner builds and equips a school, and the state organizes the allocation of land, preparation of design estimates, and covers part of the costs;

4) medium-term or long-term agreement period – from 3 to 30 years with the possibility of subsequent extension (in areas where the state acts as a supplier of goods and services, the cost of construction and modernization of facilities is usually higher, and implementation and payback periods of projects are longer than in areas dominated by the private sector);

5) risk sharing;

6) participation of a private partner in creation, as well as possibly in using and maintenance of the object of the agreement;

7) private partner is selected on the basis of competitive procedures.

Public-private partnerships have been known since ancient times. In ancient Greece, the lease of public land from ten years to hereditary, owned by the state, as well as territorial communities, can be called examples of the model of public-private partnership. The state developed mechanisms for attracting private funds to implementation of state projects, since war revenues and taxes did not cover all government spending.

Another historical example of public-private partnership is functioning in Athens in the 4th century BC Lavrion silver mines. They belonged to the state, which handed them over to development to private entrepreneurs for a fee. In addition, other state property (land, mines and water vehicles) was also rented out[1].

Public-private partnership one of the first appeared in France. In 1842, the first law on railway transport was adopted there, according to which the regime of state concessions submitted to railway companies was established. In the XIX-XX centuries, public-private partnership operated in the field of housing and communal services. In 1882, in Paris, a contract was signed with the Perrier brothers for the power supply of the central districts of the city.

The very term "Public Private Partnership" (PPP) appeared in the early 90's of the 20th century and was mainly associated with the model of public-private partnership in the United Kingdom, the "Private Finance Initiative" (PFI), the essence of which is that private business carries out construction of public facilities at its own expense, and its costs are reimbursed further due to payments from the budget or part of the income from the operation of these facilities. Infrastructure, schools, hospitals and other significant objects are most often the objects of private financial initiative. It is believed that in the UK such projects provide 17% savings for the country's budget.

In developed countries, public private partnership, as a rule, evolved in the manufacturing sector and social infrastructure. This applied to roads and railways, airports, seaports, energy networks, utilities, telecommunications, educational facilities, healthcare and culture. It is characteristic that the emergence of this kind of relationship became a consequence of the general course towards liberalization and reduction of state participation in the economy.

The United States has a special place in public private partnership of developed countries. In this country, public private partnership is understood as a contractual agreement between the state and a private company, which allows the latter to participate in public ownership in a certain way to a greater extent than existing practice. Such an agreement usually presupposes the existence of a contract between the relevant government agency and a private company, the

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[1] q.v.: Gordenko G.V. Institutional approaches to the evolution of public-private partnership in Russia // Public-private partnership. – 2015. – T. 2. – No. 1.

subject of which is reconstruction, construction of an object of state property and (or) its operation, management, etc.

In the United States, the National Council for Public Private Partnership has been created. According to it, from 25 to 65 municipal services of cities cooperate with private business. Such a partnership with private business can save from 20 to 50% of budget funds.

The United Nations also believes that, at present, when budgetary funds do not satisfy all the needs of the population, the implementation of public-private partnerships is of particular importance. It is currently widely used in more than 130 countries. This allows to attract 15-20% of the investments needed in the infrastructure of national economies.

Uzbekistan also has numerous examples of involving the private sector in infrastructure, mainly in the field of housing and communal services. Currently, about 150 private management companies are operating in the country, which are engaged in provision of operational, repair and emergency dispatch services.

Their successful activities have significantly expanded the scope of public-private partnerships. Thus, the State Committee for Demonopolization and Development of Competition, together with Uztransgas joint-stock company, are developing standard agreements on transferring management functions to sell natural gas to wholesale and retail consumers and collect payments. These companies manage to significantly increase payment discipline by accurately determining the circle of payers and more accurate collection of payments, while improving the quality and reliability of services provided. Thus, the system created within the framework of public-private partnerships made it possible to reduce receivables from previous periods.

The State Committee for Demonopolization and Development of Competition, together with the state joint-stock company Uzbekenergo, also conducted a competitive selection of an independent operator for distribution and sale of electric energy in Bektemir district of Tashkent. At present, it is planned to attract private operators in the field of electric energy sales in Namangan, Andijan and Samarkand regions. In addition, normative documents are being developed on implementation of trust management in the field of natural gas sales.

In general, over the past 15 years, Uzbekistan has implemented eight large-scale projects within the framework of public-private partnerships, in which about 800 million US dollars of private funds were attracted.

Particular attention is paid to development of public-private partnerships in the system of preschool education. This partnership is aimed at further developing the system of preschool education, including its non-state sector, expanding the network and strengthening the material and technical base of these institutions. In the field of preschool education, the following forms of public-private partnerships are being introduced:

– provision of land for permanent use at no cost for construction of buildings of non-governmental preschool education institutions;

– provision of land for permanent use free of charge in the territory of functioning state-owned preschool education institutions for construction of non-state preschool education institutions;

– provision free of charge land for construction of facilities of private preschool education institutions with condition of reconstruction and equipping of existing state preschool education institutions with subsequent patronage;

– allocation of a land plot for construction or a building for reconstruction and equipment based on concession;

– implementation at a "zero" redemption value of vacant state property, including non-functioning buildings, state preschool education institutions;

– transfer to the long-term gratuitous intended use of unused premises or buildings of understaffed state preschool education institutions to private partners;

– material, technical and financial support for non-state preschool education institutions created on the basis of property of a private partner;

– material, technical and methodological support of family non-state preschool education institutions in other forms.

Depending on the form of public-private partnership, the following types of investment obligations may be imposed on a private partner:

– training a certain number of children from families in need of social support, with establishment of preferential parental fees for them (in amounts not exceeding those established for state preschool education institutions in a given area);

– implementation of activities on construction, reconstruction, capital repairs and equipping of state preschool education institutions attached to a private partner;

– other obligations stipulated by the agreement on public-private partnership.

The following validity periods for public-private partnership agreements are defined:

1) upon provision of land plots for permanent use free of charge for construction of buildings of non-state preschool education institutions – at least 30 years;

2) sale at a "zero" redemption value of empty state property, including buildings of non-functioning state preschool education institutions, - at least 30 years;

3) transfer of unused state preschool education institutions to private partners for long-term gratuitous intended use – at least 30 years;

4) provision of land for permanent use free of charge in the territory of functioning state-owned preschool education institutions for construction of non-state preschool education institutions – at least 30 years;

5) provision of free land for construction of facilities of non-state preschool education institutions with condition of reconstruction and equipping of existing state preschool education institutions with subsequent patronage – at least 30 years;

6) allocation of a land plot for construction or a building for reconstruction and equipment on the basis of a concession – up to 15 years;

7) material support of non-state preschool education institutions created on the basis of the property of a private partner – at least 10 years;

8) material, technical and methodological support of family non-state preschool education institutions – at least 3 years;

9) implementation of philanthropic activities in the form of patronage – at least 1 year[1].

In Uzbekistan, the Law on Public-Private Partnership is being developed. Its draft, developed by the Ministry of Justice of the Republic of Uzbekistan, has been submitted for public discussion. The law establishes the legal basis for public-private partnerships, including rules and procedures related to their development and implementation, regulating their institutional structure, applicable principles and various other issues.

The main objectives of public-private partnerships are:

– stimulation of economic growth and sustainable development;
– effective and appropriate risk sharing between public and private sectors;
– meeting the demand for creation of a new public infrastructure and/or restoration, and/or operation, and/or maintenance of the existing public infrastructure;
– ensuring timely and qualitative delivery and service throughout the life of the public infrastructure;
– improving the quality of public services and access to them;
– attracting financing (including foreign investment) from the private sector in pursuit of the aforementioned goals;
– promoting economic growth;
– development of know-how, skills and resources of the private sector in connection with development of infrastructure and/or the provision of public services;

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[1] Resolution of the President of the Republic of Uzbekistan of April 5, 2018 "On measures for further stimulating and developing the system of preschool education" // National legislation database. – 2018. – April 5. – No. 07/18/3651/1007; 2018. – October 1. – No. 07/18/3955/1978.

– efficient use of the state budget.

For implementation of public-private partnership projects, the state provides private companies with state guarantees, financial and economic support (table 17.2).

Table 17.2

State guarantees, financial and economic support in implementation of public-private partnership projects

State guarantees	State financial support	State economic support
Non-interference of the government in private business	Providing soft loans	When renting state property by a private partner, provision of preferential rent
Protecting the property of a private partner from nationalization, confiscation and requisition	Provision of guarantees	Granting the right to receive income from activities not related to the implementation of the project
The right of free disposal of investments made, income and profits	Financing part of the costs of the project implementation	
The right to compensation for damage resulting from unlawful decisions of state bodies (or their officials)	Providing benefits for the payment of taxes and other obligatory payments	

In Uzbekistan, public-private partnerships can be applied in any of the following areas:

- collection, processing, removal, disposal of waste;
- education;
- healthcare activities;
- tourism, culture and sport;

- construction of roads and highways;
- public transport;
- railway transport;
- air transport;
- electric power industry;
- renewable energy sources;
- logistics parks;
- industrial parks;
- water supply;
- agriculture;
- sewer system;
- information systems;
- any other sectors and subsectors until they are excluded by law, but only with the prior approval of the responsible state or local authority.

In order to accelerate the solution of socially significant tasks on mutually beneficial conditions, as well as creating a set of institutional opportunities for effective coordination and management of the public-private partnership system, the Agency for Development of Public-Private Partnerships has been created under the Ministry of Finance of the Republic of Uzbekistan. Its main task is to develop industry-specific programs for development of public-private partnerships in priority areas of the economy and social sphere.

The United Nations Development Programme (UNDP), as well as the European Bank for Reconstruction and Development, fully support the implementation of public-private partnership projects.

17.4. Social and Labour Conflicts and Methods for Solving Them

Social and labour conflict is a special type of social conflict, which manifests itself through the collision of two or more different forces, interests, views about social and labour relations and conditions for their provision. In other words, this is the stage of maximum development of contradictions between subjects of labour activity in the labour or labour-related areas, which has a dynamic impact and is carried out by a significant number of individuals, social groups based on real or doubtful non-coincidence of interests of values or lack of resources.

Social and labour conflicts are contradictions in social and labour relations (fig. 17.3). K. Boulding defined conflicts as conscious contradictions and mature interests and their clash[1].

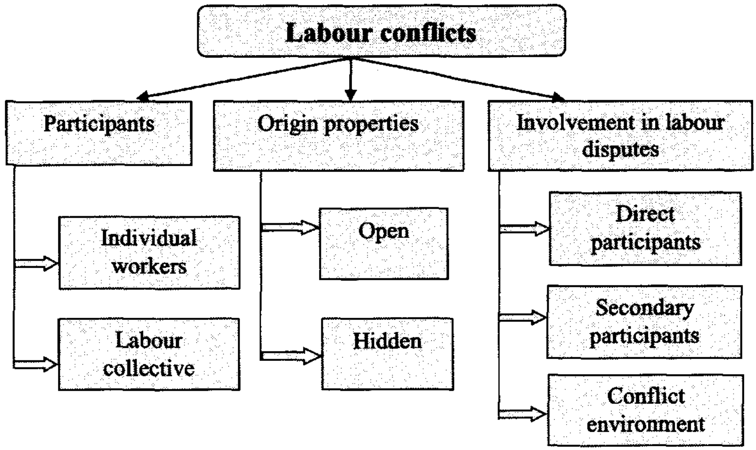


Fig. 17.3. Properties of labour conflicts

However, not all contradictions causing social and labour conflicts lead to a conflict of interests, but only in the following cases:

- if contradictions are based on mutually exclusive points of view of subjects of social and labour relations;
- contradictions are extremely acute;
- contradictions are clear or not clear to the parties of the conflict;
- contradictions accumulated for a long time or suddenly escalated.

The main subjects of social and labour conflict are workers, employers, government and local authorities. The institutions that protect and represent the interests of workers and employers are, respectively, trade unions and associations of employers and entrepreneurs.

Individual and collective labour conflicts are distinguished.

[1] q.v.: Boulding K.E. Conflict and Defence: A General Theory. – New York : Harper, 1962. – P. 5.

Individual labour conflicts are contradictions arising from the application of labour conditions provided for in laws and other normative legal acts on labour, labour contracts. Individual labour conflicts involve on the one hand, the employee, on the other – the employer.

Collective labour conflicts are contradictions that have arisen between associations of employers and representative bodies of workers to determine new working conditions and changes in existing ones, to draw up, change and fulfill labour contracts. In collective labour conflicts, the collective of employees as a single organized structure opposes the employer or its representative body.

Individuals and groups are directly or indirectly involved in the conflict and are considered its subjects. They are divided into the following categories:

- primary participants;
- secondary participants;
- conflict environment.

All labour conflicts in terms of belonging to a social group, role, status are unique. If in the labour process the goals of individual workers, groups, labour collectives began to contradict each other, they are the primary participants in this confrontation.

The secondary participants in the conflict are those who join or consciously and voluntarily intervene in confrontation, or are involved in this by the primary participants. Expansion of the social basis of the conflict complicates the confrontation, while at the same time it helps to find a solution to resolve the conflict.

Labour conflict environment is determined by the fact that:

- individuals and groups are neutral in a conflict situation;
- individuals and groups are interested in continuing the conflict;
- individuals and groups tend to expect the nature of the conflict.

Primary and secondary participants make up the positive composition of the labour conflict. There is almost no difference among them. For example, outwardly, a conflict seems to occur between individuals, but in many cases groups with opposing interests stand behind them. Sometimes you can observe the opposite: a conflict arises between groups, but the main reason for this is an attempt on the interests of an individual. This is often found in the economic field.

If individual conflicts turn into intergroup conflicts, they can cause a contradiction within the group itself. Not only individual and group conflicts arise, but one of them may take the place of another.

The cause of individual conflicts in many cases are:

- transfer of an employee to another job without his consent;
- dismissal of a permanently employed worker without his consent;
- delay or reduction of wages;

– non-provision of labour leave or reduction of its duration;
– involvement in overtime work;
– refusal to compensate for the damage caused;
– unreasonable punishment, etc.

Collective labour conflicts usually are of two types:

1. Conflicts arising in connection with establishment and change of working conditions. They are in turn divided into:

– disputes related to conclusion or amendment of a previously concluded collective agreement;

– disputes arising from development of other normative assets or related changes in their content.

2. Conflicts regarding the implementation of collective contracts and agreements already concluded. This type of collective labour conflict should also include disputes that arise when interpreting the content of collective bargaining acts, since they arise in the process of their implementation, in the process of fulfilling the requirements contained in them. The subject of disputes related to this type of conflict can be not only the problems of labour and its conditions, but also various kinds of related social problems, for example, to establishment of benefits for a certain category of workers, etc.

Labour conflicts have both negative properties and positive functions (table 17.3).

Objective causes of labour conflicts combine conditions in the form of objective errors, weaknesses in organization of labour. They push people together, make confrontation between individuals and groups inevitable. The objective causes of labour conflicts suggest the abolition of organization of labour in order to resolve the labour conflict or improved. Causes of conflicts here are organizational and labour contradictions in the labour collective.

Labour conflict can also be based on *subjective reasons*, due to the characteristics and conditions of individuals and groups. Moreover, individuals and groups sometimes bring in their organizational and labour relations external conflictual moods that arise outside of work.

The objective and subjective causes of labour conflicts are not always noticeable, sometimes there are no clear distinctions between them. Some reasons could be defined as objective-subjective. For example, labour conflicts arise due to the fact that individual workers or entire labour groups have not adapted enough to the new principles of labour organization and have not understood their content accurately enough.

Labour conflicts by their contradictions qualify:

1. *Problems of distribution relations*. They are usually evaluated as the most probable factors of conflict situations in production. Individuals and

groups often conflict because of appropriation of any goods and values, for example:

a) through distribution of goods (fair – unfair);
b) due to redistribution of already assigned, received benefits;
c) through the principle of distribution of goods.

Table 17.3

Negative properties and positive functions of labour conflicts

Negative properties of labour conflicts	**Positive functions of labour conflicts**
1	2
Enhancing hostile attitudes between workers	Signal – the occurrence of a labour conflict, indicating the emergence of disagreements in the system of social and labour relations, about the aggravation of contradictions in the life of production organization and that the parties entered into business contacts to solve urgent problems
Termination of business relations, despite their need	Integrative (disintegrative) – a labour conflict leading to the fact that the previously unified collective is divided into separate groups, members of which are rallied; the parties conclude that it is impractical to succeed alone and unite their efforts to achieve the goal. The result is a change in the balance of individual, group, collective interests
Decrease in labour motivation, efficiency of labour results due to negative mood, uncertainty, lack of guarantees	Innovative – in the course of a labour conflict, new rules and norms of labour interaction are developed, with the help of which obstacles in the system of social and labour relations that impede the economic and social development of the team are overcome, as well as new norms of behavior, values and attitudes of subjects of conflict are formed
Secrecy, principal failure to fulfill mutual obligations, agreements	Positive (negative) – consists in improving the system of social and labour relations. If a labour conflict leads to the disintegration of production and is accompanied by tangible losses of resources (production, economic, labour, etc.), then there is a negative conflict function

Loss of working time due to disputes, distraction from work, useless waste of energy on conflicts	Socio-psychological – consists in changing the socio-psychological, emotional climate in production organization. A labour conflict is often accompanied by emotional tension in relations between the subjects of the conflict, individual employees and administration members have mutual hostility, irritability, restraint in communication, which makes it difficult to find a mutually acceptable solution to the problem due to stresses among its participants through confrontation of private and public interests
Unresolved problems, on the contrary, their complication	

The conflict related to the redistribution of goods is more painful than the conflict related to distribution, and the conflict due to the principles of distribution has a more constructive and ideological character than the conflict because of the actual distribution.

2. *Role contradictions.* Conflict situations in organizational and labour relations are often created by people (individuals and groups) who play one or another social role, i.e., a role conflict occurs.

3. *Sharing of guilt, responsibility.* If the organization is unprofitable, suffers failure, is on the verge of bankruptcy, etc., then this can also lead to a conflict situation. Quite rarely, the entire labour group or organization itself assumes responsibility.

4. *Leadership.* Along with formal leadership in organizational and labour relations, there is always informal rivalry, initiative, dominance. The self-awareness of individuals and groups gives rise to all sorts of personal and professional-business ambitions, as well as ambitions of social superiority, which come into conflict with each other.

A labour conflict based on leadership can occur as a struggle:

a) for power and domination;

b) maintaining their own work;

c) mentoring;

d) the performance of prestigious roles.

5. *Business disagreement.* In this case, the conflict is based on the difference between professional thinking, differences in views on how to organize work, how to solve production problems, what should be the norms of relations, etc. This is a kind of ideological conflict. Labour conflicts through business disagreements are not group, massive, but they are acute.

6. *Abnormal working conditions*. They are very often irritating, lead to hostile sentiments among workers, intolerance to any problems. The overcrowding of workers in the premises, the forced intensity of contacts, work on up-to-date equipment and the use of outdated technologies – all this can be a completely independent cause of labour conflicts, although it is not always soberly recognized.

7. *Incompatibility*. Incompatibility is significant differences in characters of subjects that impede their normal relations. In organizational and labour sphere, there are such cases of incompatibility:

– in experience, qualifications, education (various schools of instruction, collective, mentors);

– economic psychology and attitude to work (some focus on minimum activity and maximum reward, others on maximum activity and maximum reward, the third on minimum activity and minimum reward; if these types need to interact, then conflicts between them are inevitable)

8. *The age and gender composition of the organization*. Inter-gender differences in organizational and labour relations can cause conflict due to incompatibility. They have a positive value in organizational and labour relations, as they contribute to a normal socio-psychological climate and protect against conflicts.

The following are distinguished among problems causing conflict on an inter-age basis:

– it is sometimes common for a young employee to overestimate his abilities, to underestimate the experience of elders;

– experienced senior workers do not help young people, especially during the adaptation period;

– experienced senior workers sometimes underestimate the abilities of the young;

– young people do not always understand some specific difficulties and needs of older workers, their conservatism (older ones absolutize their knowledge and experience, often believe that they are right in everything), poor ability to perceive new things;

– workers of the older generation are sometimes distrustful of the too fast career of the young, their achievements, etc.

From a theoretical point of view, the solvability of a labour conflict depends on the degree of its complexity. However, in reality, complexity is rather difficult to determine and predict. The most insignificant problems turn into an acute conflict situation, and the most significant sometimes do not develop into an open and long conflict. Therefore, it is possible to formulate several specific factors that determine the complexity of the labour conflict:

1. *The scale of the conflict.* It is determined by the total number of individuals involved in the conflict, affected by the conflict, the number of parties, positions in the conflict. So, in the process of conflict, many conflicting parties and positions can appear, which complicates its resolution. The number of participants is not an unambiguous factor. Labour conflict between groups can be as simple as between individual workers.

2. *Duration of the conflict.* It can be easier to resolve the conflict at its initial stage, as it is not yet personified (it has not received the character of personal enmity), the destructive consequences of the conflict are small, and the complex and confused structure of the parties to the conflict has not been formed. All this suggests that the conflict must be resolved as soon as possible. At the same time, the late stage of the conflict may have its advantages in resolving it, since the cause of the conflict has become clear to everyone; everyone is tired of the conflict and wants to resolve it; the motive of the game is replaced by a motive of risk.

3. *Novelty or standardization of the conflict.* If such a conflict has already occurred before, then now it will occur in a less acute form. Participants regard the conflict problem as already familiar, ordinary, they are calm, they know the solutions to this problem.

4. *Objective or subjective causes of conflict.* The technology of conflict resolution for objective reasons is more complicated, as organizational and labour changes are required. At the same time, realizing the objective, transpersonal nature of the problem, participants can relate to the conflict itself more calmly, constructively. The conflict in this case simply goes into the expectation of appropriate organizational and labour changes.

5. *Subjective characteristics of conflicting parties.* If the parties to the conflict have experience, culture, education, then they are able to better and faster see the solution to the problem, find ways to best conflict behavior. However, acute conflicts are possible at the level of not only workers, but also specialists, administrators, not only in production of labour groups, but also in teams with intellectual labour. A high level of culture sometimes, on the contrary, contributes to conflicts due to a more principled attitude of people to business.

The following specific models for resolving a labour conflict are distinguished:

a) if the conflicting parties do not see a way to reconcile, then they mutually renounce their own claims in order to preserve the social world in the organization or between organizations;

b) one of the conflicting parties renounces their claims, realizing them as less substantial, fair, their opportunities to win the conflict – as weaker ones;

c) the conflicting parties find a compromise by sacrificing part of their claims in order to create the possibility of their coordination (the claims cannot be fully agreed upon);

d) both parties can fulfill their claims if new resources are found, the conflict problem passes to some third party, that is, it is solved at the expense of this third party.

The following forms of resolving a labour conflict are distinguished:

1) *reorganization* – a change in the organizational and labour order that caused the conflict, and not a struggle and persuasion regarding the conflicting parties;

2) *information* – socio-psychological regulation, aimed at restructuring the image of the situation in the consciousness of the conflicting parties, achieving the right view of the conflict, promoting the benefits of peace in this particular case;

3) *transformation* – the transfer of conflict from a state of useless enmity to a state of negotiation;

4) *distraction* – transferring the attention of the conflicting parties to other problems or the positive aspects of their relations, focusing on something in common, which contributes to unity;

5) *distance* – the exclusion of conflicting parties from the general organizational and labour relations by, for example, transferring to other workplaces, to other units, personnel replacements;

6) *ignoring* – deliberate inattention to the conflict, so that it resolves itself or focusing attention on the conflict does not contribute to its aggravation;

7) *suppression* is a situation in which the causes of the conflict are not removed, but any conflict behavior is prohibited under the threat of administrative sanctions for one or both parties;

8) *comfortable preference* – a decision in favor of the majority, satisfaction of the interests of the socially stronger side.

The Labour Code of the Republic of Uzbekistan defines the mechanisms for resolving labour conflicts. So, individual labour disputes are considered:

– labour dispute commissions;
– district (city) courts.

The employee has the right, at his choice, to resolve the labour dispute to the labour dispute committee or directly to the court. Typically, labour dispute commissions are created on an equal footing by the employer and the trade union committee or other representative body of workers. Members of the commission from the trade union committee or other representative body of workers are approved by a resolution (decision) of the relevant body, and representatives of the employer – by his order.

The labour dispute committee is obliged to consider a labour dispute within ten days from the date of filing the application. The dispute is considered in the presence of the employee who submitted the application. Consideration of a dispute in the absence of an employee is allowed only upon his written application. If the employee does not appear at the commission meeting without good reason, a decision may be made to withdraw this application from consideration, which does not deprive the employee of the right to submit the application again.

An employee, a trade union committee or other representative body of employees has the right to invite a lawyer to participate in consideration of a labour dispute.

The labour dispute committee has the right to call witnesses to the meeting, invite specialists, and require the employer to submit necessary calculations and documents.

The decision of the labour dispute committee is made by agreement between the representatives of the employer and the trade union committee or another representative body of workers. The decision of the commission should be motivated and based on legislative and other normative acts on labour, the employment contract. In the decision of the comission on monetary claims, the exact amount due to the employee must be indicated.

In case of non-fulfillment by the employer of the commission's decision within the established period, the employee shall be issued with a labour dispute commission a certificate having the effect of a writ of execution. The certificate is not issued if the employee or employer applied within the established time period with a statement on the resolution of the labour dispute to the district (city) court. Based on the certificate issued by the labour dispute committee and presented no later than three months from the date of its receipt in the district (city) court, the state executor enforces the decision of the labour dispute commission in a mandatory manner. In district (city) courts, labour disputes are directly considered:

1) if a labour dispute committee has not been created at the place of work of the employee;

2) on restoration of work, regardless of the grounds for terminating the employment contract, on changing the date and wording of the grounds for terminating the employment contract, on paying for a forced absence from the job or performing a lower-paid work;

3) on compensation by the employee of material harm to the employer;

4) on compensation by the employer for harm (including moral) caused to the employee by damage to his health in performance of labour duties or property of the employee;

5) on denial of employment in cases provided for by part two of Article 78 of the Labour Code;

6) on issues that were previously decided by the employer in agreement with the trade union committee or other representative body of workers.

Labour disputes about compensation for the employer of material harm caused by officials are also considered by economic courts in cases where the official caused harm in consideration of an economic dispute. Refusal to consider an employee's application on the grounds that the dispute was not considered by the labour dispute committee is unacceptable.

The following deadlines are set for appeal to a court or labour dispute committee:

1) in disputes about reinstatement – one month from the day the employee receives a copy of the order to terminate the employment contract with him;

2) in disputes concerning compensation by an employee of material harm caused to an employer – one year from the date of detection by the employer of the harm caused;

3) in other labour disputes – three months from the day the employee found out or should have known about the violation of his right.

In disputes on compensation for harm caused to the health of an employee, the term for filing a lawsuit is not established.

In the event of termination of the employment contract without a legal basis or in violation of the established procedure or illegal transfer to another job, the employee must be reinstated in his previous job by the body considering the labour dispute.

In the event of a dispute on the recovery of wages, the labour dispute settlement body shall fully satisfy the following monetary claims of the employee:

– on payment of involuntary absenteeism caused by untimely issuance of a work book to an employee upon termination of an employment contract;

– on payment of involuntary absenteeism caused by the employer's failure to comply with the decision of the labour dispute review body to reinstate the employee in his previous job;

– on payment of compensation due to the employee for unused vacation.

When considering labour disputes regarding payment of time of forced absence due to an illegal termination of an employment contract, illegal transfer to another job or illegal removal from work, the employee's monetary claims are satisfied by the labour dispute resolution body in no more than one year.

Other monetary claims of the employee are subject to satisfaction no more than three years.

Thus, the above labour conflicts are of a general nature. In the process of labour, conflicts mainly occur between an individual and a group, personnel and administration, an enterprise, and external entities. For the effective continuation of labour activity, it is necessary to take measures for their timely and fair resolution.

17.5. INTERNATIONAL STANDARDS IN LABOUR ACTIVITY

International Labour Organization (ILO) was created in 1919 on the basis of the Treaty of Versailles as a structural unit of the League of Nations. It is currently a specialized agency of the United Nations. The ILO Constitution was created in 1919, which was introduced amendments and additions in 1922, 1945, 1953 and 1972.

International Labour Organization currently includes 185 states. The headquarters of the ILO is in Geneva. Its Regional Office for Eastern Europe and Central Asia operates in Moscow.

Activities of the International Labour Organization are carried out on the basis of the Declaration of Philadelphia (1944). The following principles are embodied in the Declaration:

- labour is not a commodity;
- freedom of speech and freedom of association become a necessary condition for continuous progress;
- poverty anywhere can be a threat to the general wellbeing;
- all people, regardless of race, faith or gender, have the right to exercise their material condition and spiritual development in conditions of freedom and dignity, economic stability and equal opportunities.

The International Labour Organization has four strategic goals:

1) assistance in establishment of norms and principles of equality in the world of labour;
2) creation of favorable, equal conditions for women and men in employment issues;
3) strengthening social protection for all;
4) maintaining social dialogue.

To achieve these goals, the International Labour Organization has identified its following main tasks:

- development of coherent policies and programs aimed at solving social and labour problems;

– development and adoption of international labour standards in the form of conventions and recommendations and monitoring their implementation;

– assistance to participating countries in solving the problems of employment, reducing unemployment and regulating migration;

– protection of human rights (rights to work, association, collective bargaining, protection against forced labour, discrimination);

– the fight against poverty, to improve the living standards of workers, development of social security;

– promotion of vocational training and retraining of workers and the unemployed;

– development and implementation of programs in the field of improving working conditions and the working environment, occupational safety and health, protection and restoration of the environment;

– assistance to organizations of workers and employers in their work together with governments for regulating social and labour relations;

– development and implementation of measures for protecting the most vulnerable groups of workers (women, youth, the elderly, migrant workers);

– development of international policies and programs for solving social and labour problems.

In its activities, the International Labour Organization uses four main methods (fig. 17.4):

– development of social partnership between governments, workers' and employers' organizations (tripartism);

– development and adoption of international labour standards (conventions and recommendations and control over their use (normative activity);

– assisting countries in solving social and labour problems (technical cooperation);

– conducting research and publications on social and labour issues.

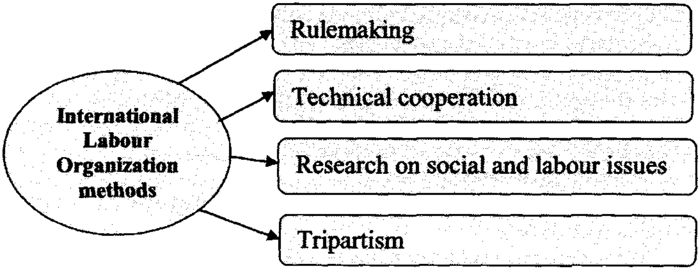


Fig. 17.4. International Labour Organization methods

Tripartism is the ILO's main working method and its distinguishing feature from all international organizations. The solution to all social and labour problems can be successful only as a result of the concerted actions of governments, workers and employers.

International Labour Organization adopts the following acts on labour issues:

- declarations;
- conventions;
- recommendations.

Recently, the International Labour Organization adopted only three *declarations*:

1) ILO Declaration of Philadelphia on the goals and tasks of the International Labour Organization (1944);

2) ILO Declaration on Multinational Enterprises and Social Policy (1977);

3) ILO Declaration on Fundamental Principles and Rights at Work (1998).

Conventions are subject to ratification by the ILO member countries and are international treaties binding upon ratification.

Recommendations are not legally binding acts. Even if the state has not ratified this or that convention, it bears obligations by virtue of the fact of membership in the International Labour Organization and adherence to its charter according to the four fundamental principles in the field of labour, as enshrined in the ILO Declaration (1998).

Fundamental principles at work, enshrined in the ILO Declaration (1998):

- freedom of association and the right to collective bargaining;
- prohibition of discrimination in labour relations;
- eradication of forced labour;
- prohibition of child labour.

Eight ILO Conventions are dedicated to these four principles (Conventions No. 87 and No. 98, No. 100 and No. 111, No. 29 and No. 105, No. 138 and No. 182), called fundamental. These Conventions have been ratified by the vast majority of countries in the world. The ILO is especially carefully monitoring their implementation.

In March 1992, the Republic of Uzbekistan became a full member of the International Labour Organization. The Republic of Uzbekistan ratified 13 ILO conventions, including 6 core ones (table 17.4).

Table 17.4

ILO Conventions ratified by the Republic of Uzbekistan

ILO Convention Number	The Convention	Date of ratification of the convention by the Republic of Uzbekistan
29	Forced Labour Convention	August 30, 1997
47	Forty-Hour Week Convention	May 6, 1995
52	Holidays with Pay Convention	May 6, 1995
98	Right to Organise and Collective Bargaining Convention	August 30, 1997
100	Equal Remuneration Convention	May 6, 1995
103	Maternity Protection Convention (Revised), 1952	August 30, 1997
105	Abolition of Forced Labour Convention	August 30, 1997
111	Discrimination (Employment and Occupa-tion) Convention	August 30, 1997
122	Employment Policy Convention	May 6, 1995
135	Workers' Representatives Convention	August 30, 1997
138	Minimum Age Convention	April 4, 2008
154	Collective Bargaining Convention	August 30, 1997
182	Worst Forms of Child Labour Convention	April 4, 2008

The International Labour Organization cannot even enforce ratified conventions. Nevertheless, there are mechanisms for the ILO to monitor the implementation of conventions and recommendations, the main essence of which is to study the circumstances of alleged violations of labour rights and give them international publicity in case of prolonged ignoring of the ILO's comments by the State party. This control is carried out by the ILO Committee of Experts on the application of conventions and recommendations, the Committee of the Governing Body on Freedom of Association and the Conference Committee on the application of conventions and recommendations.

ILO conventions governing social and labour relations can conditionally be divided into two groups:

1. Conventions of a universal nature, subject to ratification in the first place (Convention No. 29 On Forced Labour (1930), Convention No. 87 On Freedom of Association and Protection of the Right to Organise (1948), Convention No. 98 On the Right to Organise and Collective Bargaining (1949), Convention No. 100 On Equal Remuneration (1951); Convention No. 105 On Abolition of Forced Labour (1957), Convention No. 111 On Discrimination (Employment and Occupation) (1958), Convention No. 138 On Minimum Age (1973).

According to Convention No. 98, On the Right to Organise and Collective Bargaining, workers shall enjoy adequate protection against acts of anti-union discrimination in respect of their employment. Such protection shall apply more particularly in respect of acts calculated to:

– make the employment of a worker subject to the condition that he shall not join a union or shall relinquish trade union membership;

– cause the dismissal of or otherwise prejudice a worker by reason of union membership or because of participation in union activities outside working hours or, with the consent of the employer, within working hours.

The purpose of the adoption of Convention No. 138 On the Minimum Age was the abolition of child labour and raising the minimum age for admission to work to a level corresponding to the fullest physical and mental development of adolescents. In accordance with Article 2 of this Convention, the minimum age specified in pursuance of paragraph 1 of this Article shall not be less than the age of completion of compulsory schooling and, in any case, shall not be less than 15 years. As a rule, Article 3 establishes the minimum age for admission to any type of employment or work which by its nature or the circumstances in which it is carried out is likely to jeopardise the health, safety or morals of young persons shall not be less than 18 years. However, Article 7 contains a reservation allowing national legislation to allow employment of children from 13 to 15 years on light work which is not likely to be harmful to their health or development and does not adversely affect their education.

2. This group of ILO documents is constituted by conventions relating to individual subjects and types of labour law. These include Convention No. 111 On Discrimination (Employment and Occupation) (1958), Convention No. 122 On Employment Policy (1964), Convention No. 135 On Workers' Representatives (1971), Convention No. 159 On Vocational Rehabilitation and Employment (Disabled Persons) (1983).

In particular, according to Convention No. 135, the term workers' representatives mean persons who are recognised as such under national law or practice, whether they are:

– trade union representatives, namely, representatives designated or elected by trade unions or by members of such unions; or

– elected representatives, namely, representatives who are freely elected by the workers of the undertaking in accordance with provisions of national laws or regulations or of collective agreements and whose functions do not include activities which are recognised as the exclusive prerogative of trade unions in the country concerned.

Workers' representatives in the undertaking shall enjoy effective protection against any act prejudicial to them, including dismissal, based on their status or activities as a workers' representative or on union membership or participation in union activities, in so far as they act in conformity with existing laws or collective agreements or other jointly agreed arrangements.

ILO conventions governing social and labour relations also include:

– Convention No. 111 On Discrimination (Employment and Occupation);
– Convention No. 122 On Employment Policy;
– Convention No. 131 On the Minimum Wage Fixing;
– Convention No. 155 On Occupational Safety and Health;
– Convention No. 161 On Occupational Health Services;
– Convention No. 171 On Night Work;
– Convention No. 175 On Part-Time Work and others.

To date, the International Labour Organization has adopted a total of 188 conventions and 200 recommendations. Recently, the ILO has been taking measures to eliminate obsolete norms in social and labour relations and to increase the level of standard-setting, adoption of complex documents.

17.6. Regulation of labour relations in the Labour Code of the Republic of Uzbekistan

In Uzbekistan, labour relations are regulated by legislative acts on labour, collective agreements and labour contracts. They are aimed at effective functioning of the labour market, creation of safe working conditions, ensuring the labour rights of workers, increasing productivity and improving the quality of labour, raising the living standard of the population.

The following guarantees of exercising the right to work are fixed in the country, i.e., the state guarantees:

– freedom of choice of type of employment, including work with various modes of labour;

– protection against illegal refusals of employment and termination of the employment contract;

– free assistance in selection of suitable work and employment;

– ensuring equal opportunities for everyone in obtaining a profession and work, working and employment conditions, remuneration, career advancement;

– free training in a new profession (specialty), advanced training in local labour authorities or in their direction in other educational institutions with payment of scholarships;

– compensation in accordance with the legislation of material costs when hiring in another locality;

– the possibility of concluding fixed-term employment contracts for participation in paid public works.

The subjects of labour relations are the *employee and employer*. Employees are individuals who have entered into labour relations with the employer. They can be both citizens of the Republic of Uzbekistan, and foreign citizens, as well as stateless persons who have reached the age established by law (as a general rule 16 years old) and entered into an employment contract with the employer.

To prepare young people for work, it is allowed to hire students from secondary schools, specialized secondary, vocational education institutions to perform light work that does not harm their health and moral development, which does not interfere with the learning process, in their free time, after they reach the age of fifteen with the written consent of one of the parents or one of the persons replacing the parents.

Each employee has the right:

– for remuneration for labour not lower than the amount established by the legislation for the first category of the Unified Tariff Schedule for Remuneration;

– rest provided by establishment of the maximum duration of working time, a shorter working day for a number of professions and work, provision of weekly days off, holidays, and also annual paid vacations;

– working conditions that meet safety and hygiene requirements;

– vocational training, retraining and advanced training;

– compensation for harm caused to his health or property in connection with work;

– association in trade unions and other organizations representing the interests of workers and labour collectives;

– social security by age, in case of loss of ability to work, loss of breadwinner and in other cases established by law;

– protection, including judicial, labour rights and qualified legal assistance;

– defending one's interests in collective labour disputes.

Employers as subjects of labour relations may be:

– enterprises, including their separate structural subdivisions, in the person of their leaders;

– private enterprises, the owner of which is at the same time their leader;

– individuals over eighteen years of age, in cases provided for by the legislation.

– individual entrepreneurs hiring workers in the prescribed manner.

The employer has the right to:

– manage the enterprise and make independent decisions within its authority;

– conclude and terminate individual labour contracts in accordance with the legislation;

– require the employee to properly perform the work stipulated by the labour contract;

– create, together with other employers, public associations for protecting their interests and join such associations.

Labour collective of an enterprise – all of its employees participating in their activities on the basis of an employment contract, are also considered as a subject of labour relations.

Regulation of labour, socio-economic and professional relations between the employer and employees at the enterprise is carried out through a *collective agreement.*

Obligations to establish working conditions, employment and social guarantees for workers of a certain profession, industry, territory are fixed in the collective agreement (table. 17.5).

General, sectoral and territorial (regional) collective agreements may be concluded depending on the sphere of regulated relations, the nature of issues that need to be addressed.

Table 17.5

Content of collective bargaining agreements

Collective contracts	**Collective agreements**
1	2
Form, system and amount of remuneration, cash rewards, benefits, compensation, surcharges	Payment, conditions and labour protection, work and rest
The mechanism of regulation of remuneration based on changes in prices, inflation, performance indicators specified by the collective agreement	The mechanism of regulation of remuneration based on changes in prices, inflation, the performance of indicators defined by agreements
Employment, retraining, conditions for the release of workers	Compensatory surcharges, the minimum amount of which is prescribed by law
Duration of working time and rest time, holidays	Promotion of employment, retraining of workers
Improving the conditions and labour protection of workers, including women and persons under the age of eighteen, ensuring environmental safety	Ensuring environmental safety and protecting the health of workers in the workplace
Respecting the interests of workers in privatization of enterprises, departmental housing	Special events for social protection of workers and their family members
Benefits for workers combining work with training	Respecting the interests of workers in privatization of state enterprises
Voluntary and compulsory medical and social insurance	Benefits to enterprises creating additional jobs using the labour of disabled people and youth (including persons under the age of eighteen)

The amount and timing of the employer making additional contributions to the individual accumulative pension accounts of their employees	Development of social partnership and tripartite cooperation, promotion of collective bargaining, prevention of labour conflicts, strengthening of labour discipline
Monitoring the implementation of the collective agreement, responsibility of the parties, social partnership, ensuring normal conditions for functioning of trade unions, other representative bodies authorized by employees	

The general agreement is concluded between the Council of the Federation of Trade Unions of Uzbekistan (other representative bodies of workers), republican associations of employers, and, on the proposal of the parties, the government of the Republic of Uzbekistan. The general agreement establishes the general principles for coordinated socio-economic policy.

Territorial agreements are concluded between the relevant trade unions (other representative bodies of workers) and employers (their associations), and, at the proposal of the parties, and executive authorities at places. They establish the conditions for resolving certain socio-economic problems associated with territorial features.

To conclude, amend and supplement the collective agreement, the agreement is negotiated between the employer, the union of employers (their representatives) and trade unions or other representative bodies of workers. When necessary, executive authorities participate in the negotiations.

According to the current legislation, employers, executive bodies are obliged to negotiate on labour and socio-economic issues, proposed for consideration by trade unions or other representative bodies of workers.

CHAPTER XVIII.

LABOUR RELATIONS IN THE ACTION STRATEGY ON DEVELOPMENT OF THE REPUBLIC OF UZBEKISTAN

18.1. THE ESSENCE OF THE ACTION STRATEGY IN SOCIO-ECONOMIC DEVELOPMENT OF THE COUNTRY AND THE LABOUR ECONOMICS

In Uzbekistan, over the years of independence, a socially oriented market economy has been formed and is developing, measures are being taken to ensure macroeconomic stability and economic growth, ample opportunities, favorable conditions for development of small business and private entrepreneurship have been created. At the same time, a comprehensive analysis of the passed stage of development of the country, the changing conjuncture of the global economy in the context of globalization and increasing competition require the development and implementation of radically new ideas and principles for further sustainable and accelerated development of the country. As a result of a comprehensive study of current and exciting issues for the population and entrepreneurs, analysis of the current legislation, law enforcement practice and best foreign practices, as well as wide public discussion, an *Action Strategy was adopted on five priority areas of development of the Republic of Uzbekistan in 2017-2021.*

Despite the fact that Uzbekistan has the richest natural resources and significant economic potential, according to the International Monetary Fund, Uzbekistan in terms of gross domestic product per capita occupies the 134th position in the world ranking among 187 countries.

Due to outdated power lines, 15-20% of electricity does not reach consumers, uselessly consuming in the network itself. The volume of natural gas production in the country is 55-57.5 billion cubic meters, but due to unfulfilled modernization of the industry, its losses remain extremely high – 20-23%.

A serious problem remains in an outdated management system in the economy, inactive implementation of innovative ideas. Another obstacle to economic development is technological lag and the use of alternative energy sources.

Fully being aware that any reform and any changes cannot be implemented without a stable economy, large-scale transformations in this direction have been launched in Uzbekistan. Within the framework of relevant State programs, over the past two years alone, 76 thousand projects have been carried out for 21 trillion soums and 1 billion US dollars. Due to this, significant results were achieved in industry, agriculture, capital construction, development of transport and communications, and the service sector. In a short time, 161 large industrial facilities were put into operation in the country. Due to this, the growth in industrial production in 2018 increased by 14.4%.

Recently, the activity of 12 free economic and 45 industrial zones has been established, which contributes to accelerated development of the country's regions. Work is underway for organizing another 50 new industrial zones.

Much attention is paid to reforming the agricultural management system, the rational use of land and water resources based on advanced technologies, and ensuring food security. 48 cotton-textile clusters are being created in the regions.

Only in 2018, typical and multi-storey buildings with a total living area of more than 3.5 million square meters were built in cities and villages. Compared to previous years, the volume of housing construction has increased sharply, for example, compared to 2007 – 20 times, 2010, when the implementation of the housing construction program for standard projects was launched – 3.5 times.

As a result of measures taken to facilitate and support export activities, in 2018 alone, the volume of exports amounted to 14,258 million dollars. Over the past two years, the geography of exports has expanded to 50 countries and covered a total of 140 countries. Export of 120 new types of products has been established. In the export structure, the share of finished products amounted to 56%, regional industrial exports grew by almost 1.7 times.

The portfolio of investment projects in Uzbekistan includes 456 projects in various industries with a total value of 23 billion US dollars. In 2019, it is planned to develop investments worth almost 14 billion USD. In particular, it is planned to attract over 4 billion dollars of foreign direct investment on 320 projects. Uzbekistan is expanding cooperation with the World Bank, Asian and Islamic Development Banks, and the European Bank for Reconstruction and Development.

The wider involvement of young people in entrepreneurship, provision of their employment will be facilitated by further expansion of activities of the Youth Our Future Foundation. In 2019, the Foundation will be allocated more than 2 trillion soums, and due to this, more than 50 thousand new jobs will be created.

Uzbekistan's gross gold and foreign exchange reserves as of January 1, 2019 increased by 1.09 billion US dollars and amounted to a little more than 27 billion dollars. Of these, assets in foreign currency – 12.4 billion, monetary gold – 14.6 billion dollars. Net foreign exchange reserves as of January 1, 2019 amounted to 26.3 billion USD.

In the sectors of the national economy, the influence of the state is decreasing. Ineffective and unprofitable enterprises are privatized, monopolies are liquidated to increase competition, production financing is transferred to market mechanisms.

Public-private partnerships are used for formation and development of modern industries.

In the social sphere, practical measures are being taken to gradually increase real incomes, wages, scholarships, pensions for social benefits, as well as attention is also being paid to the medical care of the population.

18.2. THE CONCEPT OF STRATEGY IN LABOUR ECONOMICS

Ensuring sustainable economic growth and adequate to the conditions of transition of the economy to an innovative path of labour market development are the most important *strategic task* of the labour economics.

Strategy (ancient Greek Στρατηγία – the art of a commander) is a method of action, that is, a general, non-detailed plan of any activity covering a long period of time, a way to achieve a complex goal that is uncertain and main for the manager at the moment, further adjusted to the changing conditions for the existence of a manager-strategist.

The strategy should be considered as a general concept of enterprise managers and an organization for achieving the main goal, anticipating in advance the possible occurrence of various problems and identifying ways of their effective resolution, rational allocation of resources for this.

For every economist, including for a labour economist, *the first law of strategy* is the law of time gain. The sooner the implementation of a promising strategy begins, the higher will be its effectiveness.

The second law of strategy is to achieve absolute competitive advantage. In modern conditions, when competition in commodity and labour markets is extremely aggravated, the strategic idea should serve to ensure long-term competitive advantage.

According to the definition of academician V.L. Quint, strategy is the result of a systematic analysis of the environment, existing forecasts of future conditions based on strategic thinking, deep knowledge and intuition[1]. He defines the strategy as a system of search, formulation and development of the doctrine,

[1] q.v.: Quint V.L. To the origins of the theory of strategy. The 200th anniversary of the theoretical work of General Jomini (foreword, comments). – Saint Petersburg: NWIM – branch of RANEPA, 2017.

which will ensure long-term success with its consistent and complete implementation.

The strategy is developed by strategists. V.L. Quint gives the following definition of a strategist: a wise, disciplined and optimistic professional who has strategic thinking, vision of the future and intuition, supported by the methodology of strategic planning. The strategist quickly perceives new global legitimacy, has in-depth knowledge of the fundamental values and interests of the strategic object for increasing success and strengthening this object[1] (fig. 18.1).

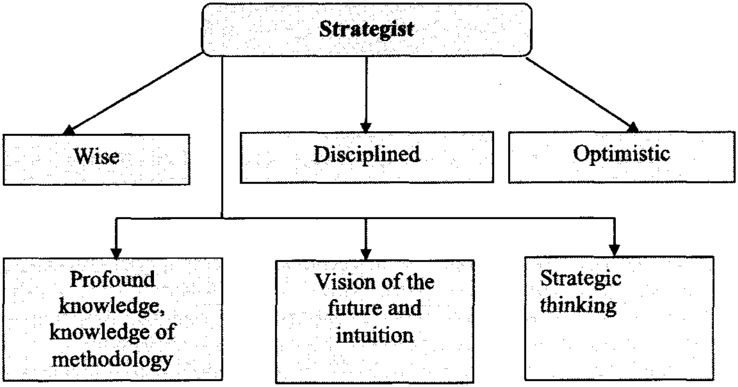


Fig. 18.1. Strategist characterization

Strategists, according to the scientist, are working to find new prospects and project new scenarios for the future. Strategists should have a clear idea of global legitimacy, identify the true values and interests of the object of strategic planning.

Academician V.L. Quint developed 15 rules of strategic thinking:

Rule 1. The strategy should not rely only on common sense.

Rule 2. In a strategy, the majority opinion is usually erroneous.

Rule 3. Strategically the present is the past.

Rule 4. Use the experience of successfully implemented strategies.

Rule 5. Nothing lasts forever.

Rule 6. Inertial thinking is the main enemy of strategic thinking.

Rule 7. Strategists should not be influenced by traditional approaches.

[1] Quint V.L. The Global Emerging Market: Strategic Management and Economics. – M.: Budget, 2012. – P. 353.

Rule 8. Successful strategy cannot focus on unfair methods of achieving it.

Rule 9. Strategists are called to turn chaos into a system.

Rule 10. Asymmetric strategic responses are always more effective than symmetric ones.

Rule 11. A strategist should always be optimistic.

Rule 12. The competitor must always be overestimated.

Rule 13. Implementation of innovations can provide huge strategic advantages.

Rule 14. The strategist should optimize limited resources, using the time factor as a decisive one.

Rule 15. Strategists should identify and focus on the true needs of the organization, and not on the desires of leaders.

Implementation of actions of the strategist is carried out by the leader. A *leader* is a recognized authority in an organization, unit, team, which has influence, which is also manifested in its control actions.

Intellectual qualities of a leader are his education, intelligence, logic, memory, intuition, encyclopedic knowledge, breadth of vision, insight, originality, speed of thinking, discretion, conceptuality.

The leader's business qualities include his organization, discipline, reliability, diplomacy, economic efficiency, flexibility, commitment, initiative, independence, responsibility, and riskiness.

The leader's personal qualities are his goodwill, tact, compassion, honesty, decency, vigilance, conviction, attentiveness, sociability, adaptability.

In the labour economy, a broad place is given to managerial training programs. From this point of view, the manager is the leader, ensuring the implementation of innovative ideas forwarded by strategists, tasks defined under the leadership of leaders.

The strategy achieves its main goals through the implementation of intermediate tactical tasks. Generally, the main means of implementing the strategy is *tactics*. Tactics can be defined as a roadmap for implementation of the main goal of the strategy.

Politics, strategy and tactics are three separate categories related to strategic leadership and management. They differ in that if the strategy is approved and adopted for implementation, its implementation turns into a pointer, a beacon of the object of the strategy. Tactics require daily, monthly, annual (current) plans and measures for their implementation, politics – aggregation and integration of the system of effectively functioning strategies and tactics. It means:

$$Strategy + Tactics = Politics.$$

Formation of the strategy is carried out in several stages (fig. 18.2). This requires a strategic thinking of a strategist. *Strategic thinking* means the ability to synthesize, use intuition and creativity to create and apply unique business ideas and opportunities designed to create competitive advantages.

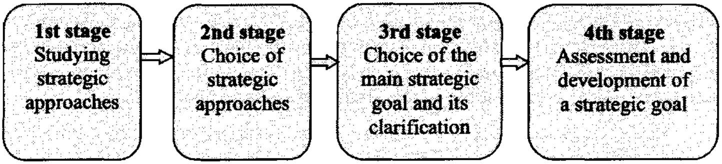


Fig. 18.2. Stages of formation of labour relations strategy

In labour relations, strategic thinking covers:

- determination of the sequence of priorities, that is, finding the answer to the question what we want to achieve and how we will achieve this;
- the ability to justify prospects of strategic ideas;
- prediction of possible changes in the existing environment and readiness for anticipated threats, full and most effective use of opportunities that have arisen;
- rationale for methods and ways to achieve long-term goals;
- the ability to coordinate activities aimed at achieving strategic goals.

Three approaches to strategic thinking are observed in the process of labour.

The first approach involves *strategic analysis* – an integrated study of positive and negative factors that can affect the economic situation of the enterprise in the future, as well as ways to achieve the strategic goals of the enterprise. Using strategic analysis, a comprehensive strategic plan for development of the enterprise is developed, scientifically substantiated, comprehensive and timely support for the adoption of strategic management decisions is carried out.

The second approach is *strategic improvement*, which is largely due to the need of ensuring the rational use of available resources for achieving the goals of effective functioning of the enterprise. The choice of measures in this case directly depends on the purpose of its existence, the sphere of activity, the influence of external and internal factors and is aimed at increasing the competitiveness of the enterprise in modern conditions.

The third approach can be called a *unification strategy*. According to it, along with introduction of revolutionary innovative ideas and technologies, current efficiency and profitability are achieved through functioning operating systems and technologies.

The main enemy of strategic thinking is inertial (ordinary) thinking. Inertial thinking is the main obstacle to innovative goals. From a strategic point of view, this day is the past. The strategic thinking of the strategist is always 3-5 years ahead of the average person.

When developing a strategy, the SWOT analysis method is used (Strengths, Weaknesses, Opportunities; Threats). In 1965, this method was proposed by four professors at Harvard University - E.P. Learned, C.R. Christensen, K.R. Andrews and W.D. Guth for development of a strategy for the behavior of the company and was called LCAG (based on the initial letters of the authors' names) and is based on the sequence of steps leading to the choice of strategy (fig. 18.3).

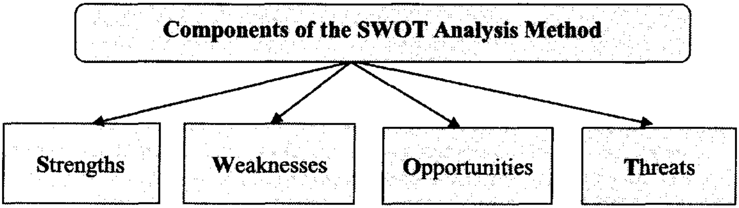


Fig. 18.3. Components of the SWOT Analysis Method

In this method, the strong *S* and weak *W* sides are factors of internal environment of the object of analysis, that is, those that the object itself can influence. Opportunities *O* and threats *T* are environmental factors, i.e., those that can affect the object from the outside and are not controlled by the object.

The task of the SWOT analysis is to give a structured description of the situation regarding which to make a decision when determining a strategy. Conclusions drawn on its basis are descriptive in nature without recommendations and prioritization.

For a more complete return on the method, the construction of action options based on intersection of fields is also used (table 18.1).

For this, various combinations of environmental factors and the internal properties of the company are sequentially considered.

Table 18.1

Field intersection method for SWOT analysis

	Opportunities	**Threats**
Strengths	SUO	SUT
Weaknesses	WO	WT

Table 18.1 indicates that:

1) SUO field shows which strengths must be used in order to get a return from opportunities in the external environment;

2) WO field – due to what capabilities of the external environment the organization can overcome existing weaknesses;

3) SUT field – what forces must be used to eliminate threats;

4) WT field – what weaknesses need to be eliminated in order to try to prevent an impending threat.

SWOT analysis is a universal method that is applicable in the most diverse fields of economics and management. It can be adapted to the object of study at any level (product, enterprise, region, country, etc.).

In the process of labour, strategies, as in other areas, are implemented through the development of medium-term and long-term plans. This is organized by leaders through the distribution of tasks, their implementation and achievement of goals, which is entrusted to managers.

The strategy of labour economics is the concept of ensuring sustainable economic growth and development of the labour market adequate to the conditions of transition of the economy to an innovative path. To achieve these goals, it is necessary to implement measures aimed at improving the quality of human capital, developing labour market institutions and increasing the efficiency of its functioning. One of the most urgent tasks in the field of employment is the search, taking into account international experience, new approaches to managing the labour market, increasing the responsibility of all parties to the social partnership to ensure effective employment of the population and promoting the employment of citizens who have difficulties in job search.

The state strategy for the organization of labour and employment is usually developed for 10-15 years. It is forecasted in macro- and mesoeconomics and consists of a system of key indicators. The main macroeconomic indicators are:

– gross domestic product, including the number of employed people with the growth of industrial and agricultural production;
– attracting investment, including foreign investment in the economy;
– cash turnover, balance of payments, inflation rate, other macro-financial indicators;
– level of export and import;
– competitiveness of the national economy;
– innovative development;
– infrastructure development;
– indicators of demography and migration;
– the level of employment and unemployment;
– the standard of living of the population, income and other indicators.

At the mesoscale, the strategic indicators of labour and employment are:

– the level of socio-economic development of the regions;
– the level of employment in sectors of the economy, etc.

There are four main types of economic strategies in the field of labour and employment:

1. *A strategy of concentrated growth* covers a strategy for improving one's position in the existing market, a strategy for developing the labour market, a strategy for increasing production efficiency by increasing staff potential. In this strategy, the company seeks to gain the best position with its product in this market. This type of strategy for implementation requires a lot of marketing effort. There may also be attempts to implement horizontal integration, in which the company tries to establish control over its competitors. At the same time, business entities are looking for new markets for an already developed product or a product development strategy is being implemented that allows the growth problem to be solved by producing a new product that will be implemented on the market already developed by the enterprise.

2. *Integrated growth strategy* is associated with expansion of the company by adding new structures. A company can carry out integrated growth both by acquiring ownership and expanding internally. In both cases, there is a change in the position of the company within the industry.

There are two main types of strategies for integrated growth:

a) a strategy of reverse vertical integration, which is aimed at the growth of the company through the acquisition or strengthening of control over suppliers. A company can either create subsidiaries that supply, or acquire firms that already supply;

b) the strategy of forward vertical integration, expressed in the growth of the company through the acquisition or strengthening of control over the structures located between the company and the end user, namely distribution and sale systems. This type of integration is very beneficial when intermediary services are very expanding or the company cannot find intermediaries with a high level of work.

3. *The strategy of diversification growth* – diversification growth involves going beyond the industry technological chain, using opportunities that open outside the traditional activity of the company, that is, outside the industry. To date, the diversification of the company is one of the most common and promising areas of growth.

There are three types of diversification strategies:

1) horizontal diversification strategy provides for the expansion of the existing range of products or services of the company with new goods or services that are not related to the current range, but are of interest to consumers;

2) a strategy of concentric (synergistic) diversification assumes that when a company goes beyond its industrial chain, there are strategic matches in the technological and/or commercial plan between the existing activity and new business areas. Here the main goal is to expand the potential market and achieve the synergy effect;

3) a strategy of conglomerate (pure, unconnected) diversification – the development of a company of new activities outside the industry chain that have weak strategic relevance to its existing business. The goal is to update the business portfolio to make more profit and reduce the risk that may be caused by interconnectedness and interdependence of certain types of company activities.

4. *Reduction strategy* – it is resorted when the performance indicators of the organization for a long time acquire a steady tendency to deteriorate and no measures change this trend. There are four directions of the strategy of contraction;

1) liquidation strategy, which is the limiting case of reduction strategy and implemented when the enterprise cannot conduct further business;

2) harvesting strategy involving the abandonment of a long-term view of the business in favor of maximizing revenue in the short term. This strategy applies to a hopeless business that cannot be profitably sold, but can generate revenues at the time of harvest, and involves reducing procurement costs, labour power and maximizing the revenue from selling an existing product and continuing to decrease production. The harvesting strategy is designed to ensure that with a gradual reduction in business to zero, achieve during the period of reduction in obtaining the maximum total income;

3) reduction strategy, namely, that the company closes or sells one of its divisions or businesses in order to implement a long-term change in the boundaries of doing business. Often this strategy is implemented by diversified enterprises when one of the industries is poorly combined with others. This strategy is being implemented when it is necessary to receive funds for the development of more promising or the start of new businesses that are more consistent with the long-term goals of the enterprise;

4) cost-cutting strategy, the main idea of which is to find ways to reduce costs and to carry out appropriate measures to reduce costs. Such a strategy has distinctive features due to the fact that it is more focused on eliminating fairly small sources of costs, as well as its implementation is in the nature of temporary or short-term measures. Implementation of this strategy involves reducing production costs, increasing productivity, reducing hiring and even dismissing personnel, stopping production of profitable goods and closing profitable facilities.

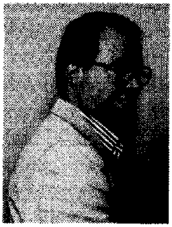
Thus, in the labour economics, when choosing a development strategy for a company, it is advisable to consider all alternative options for the above strategies.

18.3. Digital economy is an important factor of progress

Based on the Action Strategy for five priority areas of development of the Republic of Uzbekistan in 2017-2021, the tasks of accelerated development of information and communication technologies, the formation of a digital economy, smart city, smart village, smart medicine and other digital technologies are defined.

Digital economics is an economic activity based on information and communication technologies using large numbers. Along with this, the literature uses the terms e-economy, Internet economy, virtual economy, etc. They can be called synonyms of the digital economy.

For the first time, the term digital economy in 1995 was used by the American economist Nicholas Negroponte.



Nicholas Negroponte (was born on December 1, 1943 in New York) is an American economist of Greek descent. In 1985, he founded and led Media Labs at the Massachusetts Institute of Technology. Since 2006, he has been heading the One Laptop Per Child OLPC non-profit organization, organized under the auspices of the United Nations.

Works:

The Architecture Machine: Towards a More Human Environment. – Cambridge, Mass.: MIT Press, 1970.

Being Digital. Knopf. (Paperback edition, 1996; Vintage Books, 1995)

This type of economic activity is directly related to information and communication technologies. Its advantages are as follows:

– increase in production of goods and provision of services, as well as an increase in knowledge and value-added information;

– growth of economic efficiency of digital products (services) due to lower production costs;

– within the framework of enterprise infrastructures, specialized regional digital clusters, the possibility of countless use of labour and other resources;

– due to unlimited trading floors of the Internet, the accelerated development of Internet trade, financial (stock, currency) exchanges;

– to achieve a competitive advantage in the markets, a reduction in the scale of companies, the emergence of virtual firms (cybercorporations) and others.

The impact of digital technology is felt both globally and locally. On the one hand, the digital economy as a combination of new industries is a rapidly growing part of the global economy in its traditional sense. On the other hand, new technologies have a transforming effect on aspects of activities of established economic entities. Production of new knowledge, combination of digital economic activity with traditional become a new economic force.

Sectors associated with digital technology show a greater increase in labour power than the global economy as a whole. For example, in Canada, from 2011 to 2016, the annual increase in workers in this area amounted to 2.4% against 1.2% of the total growth. Government initiatives and analytical materials on the digital economy in countries such as the United States, the United Kingdom and Germany indicate the need for new specialists to meet growing demand in this area.

The share of the digital economy in the GDP of developed countries in the period from 2010 to 2016 increased from 4.3 to 5.5%, and in the GDP of developing countries – from 3.6 to 4.9%. In the G20 countries, this indicator has grown over the past five years from 4.1 to 5.3%.

The world leader in the share of the digital economy in GDP is the United Kingdom – 12.4%. According to estimates of the United Kingdom government, more than 1.3 million people, 204 thousand enterprises (or 9% of the total) are employed in the digital economy.

Another example of a digitally developed economy can be considered Germany. Value added in the ICT sector of this country amounted to 99 billion euros, sector investments – 14.5 billion euros. Internet services and goods generate income of 1.4 thousand euros per person.

The number of high-tech multinational companies is growing. The average annual increase in the number of employees in these technology companies amounted to 5%, turnover – 5%, assets – 11%. Increasing the efficiency of digitalization creates new jobs, primarily exclusively in technology companies. The total capitalization of five United States technology companies – Apple, Alphabet, Microsoft, Facebook and Amazon exceeded 3 trillion USD, or more than 15% of the U.S. GDP, and the average capitalization is three times higher compared with capitalization of other multinational companies.

According to a study by analysts at International Data Corporation, the total global cost of digital transformation technology will grow by 16.8% annually and will reach 2.1 trillion USD in 2019.

According to the forecasts of the Accenture consulting company, the use of digital technologies should add 1.36 trillion US dollars, or 2.3% of GDP, to the dozens of the world's leading economies in 2020. The GDP of developed countries will grow due to the digital economy by 1.8%, and the GDP of developing countries – by 3.4%.

In 2014, American AT&T, Cisco, GE, IBM, and Intel created the Industrial Internet Consortium TM, IIC. Currently, the consortium unites more than 250 participating companies from 30 countries, including the world's leading industry players in the industrial sector and the IT segment. The organization is known for its work to promote the industrial Internet on an international scale through the exchange of best practices, support for the compatibility of various systems and components of the industrial Internet, recommendations on the use of existing technical standards and development of reliable solutions in the field of security.

The Industrial Internet Consortium specializes in the most promising area of the digital economy – the Industrial Internet of Things (IIoT) system. According to forecasts, by 2020 2.4 billion users will be connected to the industrial Internet of things. This should ensure global economic growth of 11.1 trillion USD, an increase in world GDP – by 11%.

The Internet of Things (IoT) is the concept of a computational network of physical objects (things) equipped with built-in technologies for interacting with each other or with the external environment. The concept of the Internet of things was first formulated by the founder of the Auto-ID research group at the Massachusetts Institute of Technology Kevin Ashton.

According to Ericsson, in 2018 the number of sensors and Internet devices exceeded the number of mobile phones. By 2021, it is predicted that out of approximately 28 billion connected devices around the world, approximately 16 billion will be connected in one way or another with the Internet of Things. According to IDC, the total global investment and areas of the Internet of things will amount to 1.4 trillion USD by 2021.

In the digital economy, the new term "blockchain" has appeared. *Blockchain* is a continuous sequential chain of blocks containing information that is built according to certain rules. Blockchain is a distributed database that stores information about all transactions of system participants in the form of a chain of blocks. Access to the registry is available to all users of the blockchain, acting as a collective notary, which confirms the truth of the information in the database.

Blockchain appeared as a technology for launching the circulation of bitcoin and at first it was used exclusively for managing cryptocurrencies.

The use of blockchain technology in business is possible for the following areas:

1. Trade. Absence of a banking commission will reduce prices on goods.

2. Real estate transactions. A high level of protection eliminates the possibility of fraud and forgery.

3. Currency exchange. Converting banknotes at the established rate without the intervention of the government or regulatory structures makes it possible to make transactions on favorable terms.

4. Protection of intellectual property. The block structure will not allow registering the same invention or idea twice.

However, since its introduction in 2009, the scope has significantly expanded. Now blockchain is used:

- in trade reporting;
- in cashless payments, checks and payments;
- accounting;
- monitoring;
- risk management;
- audit;
- management and financial accounting.

The first blockchain transaction in history was an agreement between Ornua and Seychelles Trading Company through Barclay's, which took only a few hours, while using modern technology it could last up to 10 days.

In Uzbekistan, large-scale measures are being taken to develop the digital sector of the economy. The digital economy, which operates on information and technology platforms, is developing at an intensive rate, which necessitates the creation of new models of such platforms. Electronic document management systems are being introduced, electronic payments are being developed and the normative-legal framework in the field of electronic commerce is being improved.

The Decree of the President of the Republic of Uzbekistan "On measures for developing the digital economy in the Republic of Uzbekistan"[1] has been adopted. The authorized body in the field of implementation and development of the digital economy became the National Agency for Project Management under the President of the Republic of Uzbekistan.

In order to create conditions for the accelerated development of the digital economy, the "Digital Trust" Digital Economy Development Support Fund was established in the form of a state institution.

Starting from January 1, 2021, blockchain technologies will be introduced:

- in the activities of state bodies, including in cooperation with other state bodies and other organizations, implementation of public procurement, provision of public services, verification of identity information;
- when maintaining state registers, classifiers and other databases, including updating and using the information included in them;
- into the corporate governance system of large commercial organizations with predominant participation of the state in the authorized capital, including for

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[1] Decree of the President of the Republic of Uzbekistan of July 3, 2018 "On measures for development of the digital economy in the Republic of Uzbekistan" // National database of legislation. – 2018. July 4. – No. 07/18/3832/14.

improving business process, optimizing production, administrative and operational process, as well as introducing modern management and resource management;

– in clearing operations, when making payments, trade financing (letter of credit), as well as lending to projects.

Recently, a national concept has been developed on transition of the economy to digital rails – the Digital Uzbekistan 2030 Program. This concept provides:

– further development of telecommunication infrastructure, providing the population with qualitative mobile communications, broadband Internet access;

– introduction of modern information systems, software products and databases in the areas of healthcare, social protection of the population, education, public services, tourism, as well as organization of smart and safe cities and regions;

– implementation of innovative projects based on public-private partnerships in the field of the digital economy, as well as support for the production of modern software products;

– further expansion of the system of providing electronic public services to the population and business entities based on the principles of "smart government".

In Uzbekistan, the first pilot introduction of block chain technology became the automated registry system for the state unitary enterprise "State Center for Expertise and Standardization of Medicines, Medical Devices and Medical Equipment", which ensured the protection of this object from any data manipulation.

18.4. Employment based on the digital economy

Development of digital technologies makes global changes in the economy and society. Currently, the most developed countries in the world are undergoing a process of a new industrial revolution, as a result of which an innovative type of economy is developing, known as Industry 4.0. Stages of the previous industrial progress are encoded in the name that is popular today, from the transition to machine labour to the present, in which cyberphysical systems are massively introduced into production and the boundaries between the physical, digital, social and biological spheres of life are blurred. For the first time, the contours of the Fourth Industrial Revolution, or digital revolution, were presented at the Hanover Fair in 2011, but since then its description has been constantly updated. If at first the appearance of the Internet was compared with the creation of a steam engine, then at present we are talking about production methods based on the use of cloud technologies, the collection and analysis of Big Data, Smart Data, which are a kind of "raw materials" and contribute to the emergence of a world economy based on advanced robotics, self-learning algorithms, the Internet of things, 3D methods of creating physical objects, and other technologies.

Technological changes are changing the supply and demand in the labour market, organizational and substantive foundations of work. As a result, a new model of labour and employment is distributed, which is called "Work 4.0". It is carried out in digital space, it contains new opportunities, but at the same time risks for both the economy and the working people themselves. Numerous objects and means of labour are being digitized, which leads to new forms of cooperation and exchange. However, the Internet connects not only communicating people. It involves communication with things. People, goods, and machines are becoming increasingly interconnected. Labour activity turns out to be unexpectedly more transparent, the boundaries of the use of innovation and educational space are expanding, and the quality of labour resources is improving, but at the same time, work is becoming more complicated, becoming transparent and more controlled from the outside. Thus, the collection and analysis of unstructured data through algorithms, digital applications, devices can make every movement controlled, including when fulfilling labour duties.

The profile of the employee and the requirements for him are radically changing, but remain as yet uncertain. In a digital environment, new competencies and qualifications are needed, jobs are created that are not tied to one place and time. Concern causes a decrease in the volume of human labour, especially in people with average qualifications. It is believed that a number of professions will be unnecessary in the new economy, while the importance of engineering and computer majors will greatly increase. Also, professions related to personality development (for example, in provision of social services) will be more in demand. On the other hand, it is noted that we are not talking about the loss of professions and jobs, but about the loss of certain types of activities, or a drop in demand for low-cost and low-demand labour in the modern economy is expected.

In the digital economy, such modern technologies as robotics, artificial intelligence, automate jobs, radically improve production, increase labour productivity. According to the forecast of the McKinsey Global Institute, by 2036 from 2 to 50% of work expressed in man-hours can be automated, and by 2066 this share can reach from 46 to 99%. So, for example, in the United States it is expected to digitize more than 47% of jobs. According to professors of the University of Oxford Carl Frey and Michael Osborne, who have analyzed 702 professions, 69 million jobs could be lost as a result of automation in the United States, which is equivalent to 47% of the labour resources lost[1].

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[1] Greene L., Mamic I. The Future of Work: Increasing Reach Through Mobile Technology. – Bangkok : ILO, 2015; Berger T., Frey C. Structural Transformation in the OECD: Digitalization,

Technologies automate jobs, as well as create new vacancies in traditional industries, new ways of generating income. The study showed that over the past 15 years, the development of the Internet has contributed to the elimination of 500 thousand jobs, but at the same time, 1.2 million others were created[1].

It has been determined that in the coming years, information and communication technologies can replace approximately 140 million full-time brainworkers worldwide[2]. In leading world economies, this process proceed even more dynamically. The lack of territorial and temporal boundaries for the use of digital technologies leads to formation of a new global chain of labour price formation. Depending on the potential of labour resources and their skills, regions and countries with highly profitable workers and regions and countries of outsiders are formed, where the price of labour is quite low.

The results of a labour market study presented at the World Economic Forum showed that by 2020, 2 million jobs will be added to the world labour market. At the same time, 7.1 million jobs will be eliminated in the real sector and in the area of administrative work. New vacancies will appear in intellectual and high-tech fields[3].

At the same time, digitalization also allows job applicants to improve career opportunities through the use of modern digital portals to find work through gaining access to an extensive database of relevant job openings. The job search process is accelerating, which reduces unemployment. In the United States, more than 130 million people are registered on the Linkedln platform, which represents a significant share of the working population of the United States.

According to Sun Ke, Director of the Digital Economy Research Institute of the China Academy of Information and Communication Technology, development of the digital economy not only contributes to modernization of the employment structure of the population, but also opens up new employment opportunities. The digital economy of this country has tremendous potential for job creation. By 2020, the total number of people employed in this sector of China will reach 200 million people[4].

Deindustrialization and the Future of Work / OECD Social, Employment and Migration Working Papers, N 193, OECD Publishing, – Paris, 2016. – URL: http: //dx.doi.org/10.1787/5jlr068802f7-en

[1] Technology, Jobs, and the Future of Work. – URL: https: //www.mckinsey.com/ global-themes/employment-and-growth/technology-jobs-and-the-future-of-work

[2] Disruptive Technologies: Advances that Will Transform Life, Business and the Global Economy. Tech. Rep. / McKinsey Global Institute. 2013. – URL: http://www.mckinsey. com/mgi/overview

[3] Digitalization sets trends in the labour market. – URL: https://iot.ru/promyshlennost /tsifrovizatsiya-zadaet-tendentsii-na-rynke-truda

[4] By 2020, the total number of people employed in China's digital economy will reach 200 million. – URL: http: // russian.news.cn/2019-03/12/c_137889368.htm

Digital technologies create professions and specialties that did not exist on the labour market. These include marketing, database analysis and personal data protection, an Internet blogger and many others. The concept of remote work was developed by the American Jack Nilles. In 1972, he expressed the idea that it is not necessary to keep employees in the office, as modern means of communication make it possible to maintain contact between employees at a distance. To test his theory in practice, he performed experiments at the University of Southern California, based on which he drew up a report and received funding from the American National Science Foundation. The authorities showed interest in developing the idea of remote work, seeing in it a solution to transport problems that were acute in cities. Introduction of research results into practice at one time contributed to providing work for the population of remote and economically depressed rural regions, as well as people experiencing problems with employment (for example, people with disabilities or on maternity leave).

Difference between virtual employment and traditional social and labour relations is that:

– relations between subjects of social and labour relations are built on partnership and cooperation;

– employees are not controlled by employers, they independently make decisions, as well as independently carry out labour activities;

– employees are free to use working hours and plan their working hours on their own.

Serious changes occur in traditional workplaces when working from a distance (table 18.2).

Table 18.2

Features of traditional and virtual workplaces

Job features	Traditional jobs	Virtual jobs
Working time action	Permanent, the same for all employees, for example, from 9 to 18	At a time convenient for the employee
Workplace location	As a rule, in the enterprise, in the offices of organizations and institutions	In a place convenient for the employee
Validity of the employment contract	Mostly long-term	Mostly short-term according to contract
Employer	Mostly one	Mostly a lot
Form of remuneration	Time-based, hourly	Hourly

In the digital economy, the concept of precarious work has emerged. One-time, temporary, indirect employment, contracts with zero time – all these are terms denoting precarious employment. Employers are increasingly using these forms of employment in order to replace direct permanent employment. At the same time, precarious labour activity using the Internet is treated as self-employment.

Precarious work is especially widespread when working on the Internet. At the same time, competition in the labour market intensifies, and the division of labour also intensifies. Such labour activity is carried out at home (telework), in the client's territory (services), in other territories (organization of fairs, exhibitions, etc.). Studies conducted in Germany showed that at present 30% of employees work outside the enterprises, organizations and institutions.

At the same time, every four out of five employees reported a fundamental change in the technological equipment of jobs. The pace of completing labour assignments is growing. They are delivered to employees via mobile means.

In the future, the most important thing for employees will become the development of information technologies. There is a need for development of these technologies not only by narrow specialists, but also by all workers. For example, in Germany, 80% of workers have already mastered information technologies.

In the digital economy, unemployment is losing its former significance, since at present not jobs are distributed through digital technologies, but tasks of labour activity (for example, auctions).

Digital technologies require workers, along with high qualifications and in-depth knowledge, to take full responsibility for themselves and work independently. Now the worker himself regulates his labour activity, and payment for its results and labour is carried out via the Internet on the basis of offers. In addition, external monitoring of labour activity is carried out through data and reports.

Virtual workplaces have many advantages. For example, this allows attracting disabled people, women raising their children, students to labour activity. In addition, in labour-surplus regions, the population has the opportunity to conduct labour activities through contractual relations with employers of other cities, even foreign countries.

There are currently 20 million people in the United States, in the European Union 4 million people work in the form of virtual employment. According to the calculations of American specialists, if 10-20% of the country's workers were transferred to virtual labour activity, then annually it would be possible to save 23 billion dollars, 13 million tons of fuel, 3 billion hours of time for trips to work and returning home. They included design, analytical, accounting, and many other works to these types of labour activities.

Uzbekistan also has great opportunities for providing the population with virtual work. In 2017 alone, the number of Internet users doubled and amounted to 14.4

million people. 18.3 thousand base stations were installed in the regions. Activities and services of e-government are expanding.

International Telecommunication Union recognized Uzbekistan as a country with rapidly developing information and communication technologies. In 2017, Uzbekistan in the ranking of the International Telecommunication Union for this indicator rose immediately 15 steps higher.

In development of information and communication technologies, such world-famous companies as Alcatel Lucent of the United States and France, NEC Corporation and Sumitomo Corporation of Japan, Huawei Technologies and ZTE of China, Corporation of South Korea, Telia Sonera of Sweden and Norway, Nokia Siemens of Finland and Germany, VimpelCom Russia are closely cooperating with Uzbekistan. By 2021, another 270 thousand km of fiber-optic networks will be laid in Uzbekistan.

Thus, the professional profile of a modern worker contains a set of competencies in which, along with professional knowledge, important are systemic, creative skills, abilities to abstract, quickly process and select information. A special place in the digital economy is occupied by the digital literacy of the employee. It may contain various skills. At an elementary level, modern workers should be able to use a computer, mobile devices, work with applications and programs in their professional environment, and use the Internet. In the most general form, successful employment requires four main types of competencies: professional, communicative, informational and digital. Such competencies should be built up gradually, starting from school.

18.5. Improvement Strategy of the Labour Market

In 2019, the 100th anniversary of establishment of the International Labour Organization is celebrated and the adoption of the strategic initiative "The Future of Work" is planned. In this document, envisaged until 2030, cardinal changes in the world of work will be reflected. According to ILO experts, these unprecedented transformations will encompass various factors: the rapid development of technology, demographic changes, new forms of employment, etc. In addition, recent changes are noted:

– if earlier there were changes in implementation of labour activity and employment, now they have taken unprecedented scales and transformations;

– factors of changes in labour sphere cover globalization, automation, computerization, demography, climate, etc.

According to forecasts, these changes in labour sphere will lead to the following consequences:

– it is possible that the concept of "workplace" will disappear. An employee can carry out labour activities anywhere, and work at a distance will become commonplace;

– changes in labour relations will require new labour contracts, and this may not provide guarantees for social protection of workers;

– along with increased decentralization of production of goods and the provision of services (due to three-dimensional technologies, provision of services at a distance, etc.), the centralization of data and information will increase (using crowdfunding, extra-large databases);

– in the labour sphere, innovations such as genetic engineering, nano- and biotechnologies, superconductors, etc.) will be used[1].

Based on these challenges, the International Labour Organization recommends that each country develop a promising national labour strategy, especially employment.

In conditions of an innovative economy, the main goal of the strategy for improving the labour market should be aimed at ensuring guarantees of the constitutional right of the able-bodied population: to work, to have decent working conditions and payment, social protection.

An example of this is the document "Europe 2020. A strategy for rational, sustainable and inclusive growth". One of the main goals of this strategy is to bring the population of the Commonwealth at the age of 20-64 to 75% of employment by 2020. To achieve this strategic goal, the European Commission launched the "New skills and new jobs" initiative. This initiative provides for:

– modernization of the labour market;

– improving the situation on the labour market by improving the skills of the profession and specialty of the able-bodied population throughout life;

– increasing the mobility of labour resources and others.

In the countries of the European Union, a strategy on increasing the effective employment of the able-bodied population is based on knowledge of an innovative economy. For this, the Innovation Union initiative was developed. According to this initiative, which is the main focus of the strategy, an increase in the growth rate of the innovative economy and ensuring effective employment of the population should occur due to transformation of innovative ideas into new goods and services.

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[1] The End to Poverty Initiative – The ILO and the 2030 Agenda; Director-General's Report to the ILC. – Geneva: ILO, 2016.

Another important direction of the European Union labour market improvement strategy became the development of the concept of flexicurity, the essence of which is to combine the implementation of active labour market policies with guarantees of effective social protection. This concept was originally implemented in Denmark, and then began to be applied in other European Union countries.

The concept of flexicurity is based on the following four principles:

– contractual relations between employers and employees, providing necessary flexibility for both sides of the labour process;

– active labour market policies that stimulate employee mobility;

– a system of education and retraining that promotes the development of professional skills of an employee throughout the entire period of his labour activity and ensures his adaptability to rapidly changing conditions in the labour market;

– a system of social protection of the population, providing necessary support for the income level of unemployed and economically inactive citizens[1].

In this regard, it should be noted that the strategy for improving the labour market in an innovative economy should be aimed at organizing production based on high technologies with efficient jobs and training creative workers capable of working in these jobs.

Creative worker of an innovative economy is a creative person who constantly raises his human capital and is able to adapt in a short time to innovations, rapidly changing working conditions.

In an innovative economy, innovative labour activity is distinguished by the following features:

– an innovative and investment production environment, a system of highly efficient workplaces, an innovative organization of production;

– intellectualization of labour. According to the statistics service of the Organisation for Economic Co-operation and Development, at present, in developed countries, almost 65% of all workers carry out intellectual labour activities;

– an innovative type of employee – creativity, initiative, activity, responsibility, teamwork, flexibility, mobility, psychological stability, etc.

In an innovative economy, the strategy for improving the labour market should be aimed at the following goals:

– creation of innovative jobs;

– improvement of monitoring, analysis and forecasting of the labour market;

– creation of competition among employment services;

– stimulation of mobility of labour resources;

– ensuring harmonization of interests of the able-bodied population, employers and the state;

[1] European Employment Strategy (EES). – URL: //http://n-europe.eu

– development of social partnership in the labour market.

Before predicting the exact directions of improvement, it is necessary to determine the competitive advantages of the country (region, economic sectors), factors preventing the provision of rational employment and the possibility of increasing the level of employment in the future on the basis of a SWOT analysis (table 18.3).

To improve monitoring, analysis and forecasting of the labour market, it is necessary to develop forecasts of the needs of the economy, its sectors in skilled workers and specialists. It is necessary to take into account the implementation of investment projects in the employment system, modernization and diversification, technological and innovative changes in production.

Directions of the strategy on increasing the efficiency of formation of labour resources, ensuring their employment and distribution by sectors of the economy include:

– improving the system of training qualified workers and specialists, taking into account the priorities of the strategy of socio-economic development;

– formation and development of the education system for advanced training, training in additional professions and specialties of workers and temporarily unemployed;

– intensification of labour mobility (organization of gratuitous services for informing about workplaces, providing housing, presenting other benefits);

– based on the labour market, the development and implementation of standards for professions and specialties.

Table 18.3

Directions of SWOT analysis of the labour market

Competitive advantages of a country (region, branches of economy)	Barriers to ensuring rational employment	Current employment and opportunities to increase its level in the future
Analysis of the current employment in the future	Inconsistency in the increase of the number of labour resources to new jobs	Development of industries with opportunities of ensuring effective employment
Quality of labour resources (knowledge, specialty, qualification)	Investment unattractiveness of the region, branches of economy	Support for development of employment

Prospect of development of the country (region, sectors of the economy)	Lack of opportunities in labour-intensive industries	Proactive training based on a country's development strategy
Level of competition in the labour market	Qualitative inconsistency of demand and supply of labour resources in the labour market	Improving the investment attractiveness of the region, branches of economy
Unemployment rate	Passive mobility of labour resources	Improving the quality of labour resources
Level of mobility of labour resources	Excessive employment in jobs with low labour productivity	Elimination of inconsistency of structural employment
Prospect for development of self-employment (entrepreneurship)	Passive activity of employment services	Promotion of labour mobility resources

Based on the strategy of improving the labour market, it is necessary to raise the activity of employment services to a qualitatively high level, including public services for citizens and employers in employment. For this, first of all, widespread introduction of information and communication technologies is required on the labour market. Using them, active propaganda of flexible forms of employment is required (work at a distance, telework, freelancer, outstaffing, coworking and others), wide involvement of private recruiting services in this activity.

18.6. STATE PROGRAMS ON CREATION OF NEW JOBS

A workplace is an indivisible organizational part (in these specific conditions) of a production process unit, serviced by one or more workers, designed to carry out one or more production or maintenance operations, equipped with appropriate equipment and technological equipment. In a broader sense, this is elementary structural part of the production space in which the subject of labour is interconnected with the allocated means and the subject of labour for implementation of individual labour process in accordance with the objective function of obtaining labour results.

Creation of jobs, active implementation of targeted measures for realizing labour rights of citizens are one of the priority tasks of the policy of our state.

As the President of the Republic of Uzbekistan Shavkat Mirziyoyev noted, ensuring employment is not only economic, but also of great social importance[1]. Therefore, the Action Strategy defines tasks of a consistent increase in employment, especially provision of employment for graduates, a balanced labour market, development of its infrastructure, consistent decrease in unemployment.

Previously, new jobs created and their number did not meet the requirements of the labour market. This led to an imbalance in the labour market, an increase in unemployment in a number of regions, and an increase in illegal migration and employment. Therefore, the procedure for formation of a state order for creating jobs and training personnel was developed and implemented taking into account current and future needs of the labour market (fig. 18.4).

Main tasks of the state order for job creation and training personnel are:

– ensuring targeted creation of jobs for guaranteed employment of graduates of educational institutions, taking into account the predicted professional qualification structure of training graduates, as well as the need for employment of unemployed people who have difficulty in finding work and are unable to compete on equal terms in the labour market (hereinafter – unoccupied persons);

– optimization of the structure of training personnel by establishing educational institutions forecast parameters of training, taking into account the projected need for specialists in the labour market[2].

[1] Mirziyoyev Sh.M. Ensuring the rule of law and human interests is a guarantee of development of the country and the wellbeing of people / Report at the solemn meeting dedicated to the 24th anniversary of adoption of the Constitution of the Republic of Uzbekistan // Narodnoye slovo (People's word). – 2016. – December 10.

[2] Resolution of the Cabinet of Ministers of the Republic of Uzbekistan of October 28, 2017 "On approval of the regulation on the procedure for forming a state order for creating jobs and training personnel taking into account current and future needs of the labour market" // National Legislation Database. – 2017. – October 31. – No. 09/17/877/0190.

Stages	Subjects	Activities	Deadlines
Stage 1 (determining the need for jobs)	Organizations (subordinate or without higher organizations)	Formation of parameters of the need for job creation	Annually until September 1
Stage 2 (approval of the state order for job creation)	State and economic management bodies, local executive bodies	Consideration and approval of the state order for job creation based on the presented parameters of the need for job creation	Annually until October 1
Stage 3 (inclusion of state order in the Employment Program)	Ministry of Employment and Labour Relations, Ministry of Economy and Industry	Consideration and inclusion of the state order for job creation in the draft State program for promotion of employment	Annually until October 20
Stage 4 (approval of the Employment Program)	Ministry of Employment and Labour Relations, Ministry of Economy and Industry	Submission to the Cabinet of Ministers of the draft State program for promotion of employment for approval	Annually until November 1
Stage 5 (implementation of the Employment Program)	State and economic management bodies, local executive bodies	Implementation and monitoring of the implementation of the State program to promote employment	During the forecast year

Fig. 18.4. The procedure for formation of the state order for creation of new jobs and training personnel

The state order for job creation is an instruction to employers to ensure the creation of a certain number of jobs with the required organizational and technical characteristics for employment of unemployed citizens.

Created workplace is a workplace created by the employer at new or existing production facilities, in order to expand the volume of production (work, services), as well as replacing retired workers in connection with modernization and re-equipment of production of jobs.

Formation by the executive authorities at places of the state order for job creation is carried out on the basis of an analysis of the need for personnel to expand and increase the volume of production (goods, work, services) of organizations operating in the region, the trends in creation of new private entities and small business, as well as taking into account the proposals of organizations.

Coordination of formation of the state order for job creation is carried out by the Ministry of Employment and Labour Relations and the Ministry of Economy and Industry of the Republic of Uzbekistan.

Preliminary parameters of the need for job creation are calculated on the basis of determining the number of required jobs in connection with:

– commissioning of new production capacities or expansion of existing production capacities within the framework of implementation of projects included in development programs;

– introduction of new facilities in the service sector, construction of new housing, industrial, social and market infrastructure;

– expansion of agricultural production due to an increase in the volume of crops, laying new orchards, vineyards, increasing in the number of livestock;

– the growth of entrepreneurial activity of the population, creation of new business entities, craftsmanship, allocation by commercial banks of loans to business entities;

– implementation of investment projects and roadmaps for development of privatized enterprises, provision of inactive premises and buildings for the organization of production activities at zero redemption value for investment and social obligations, and provision of state-owned property for rent.

Currently, the country's leadership pays close attention to issues of development of the social sphere, aimed at a consistent increase in employment and real incomes of the population. This issue is one of the main components developed by the country's leadership of the Action Strategy for five priority areas of development of the Republic of Uzbekistan in 2017-2021[1].

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[1] Decree of the President of the Republic of Uzbekistan of February 7, 2017 No. DP-4947 "On the Action Strategy on five priority areas of development of the Republic of Uzbekistan in 2017-2021".

The beginning of a new stage in the field of employment was laid by the Resolution of the President of the Republic of Uzbekistan of May 6, 2017 No. RP-2960[1], in accordance with which an appropriate system of material incentives and application of strict disciplinary measures based on the results of effectiveness and efficiency was introduced. An important point of the Resolution is that the criterion for the growth of employment is defined as employment in permanent, stable jobs covered by the state social insurance system, labour and pension legislation. It is this kind of employment that provides citizens with all the opportunities to make full use of the current legislation on the protection of labour rights, to take into account work experience for calculating retirement benefits, to receive tax benefits when paying loans for the purchase of housing and studying at higher education institutions, and as well as other legislative norms necessary in everyday life of the population.

The mechanism provided for by this resolution is an important contribution to ensuring employment. Effective and timely implementation of the Employment Program annually adopted in our country through the introduction of new methods to stimulate the responsibility of local executive authorities should increase incomes, improve the quality of life of our citizens, as well as expand the base of tax revenues and pension contributions.

The next steps in improving the sphere of employment were the signing on May 24, 2017 of the Decree[2] and Resolution[3] of the President of the Republic of Uzbekistan Sh. Mirziyoyev, according to which the Ministry of Labour of the Republic of Uzbekistan was transformed into the Ministry of Employment and Labour Relations of the Republic of Uzbekistan. In accordance with these legislative acts, the tasks and activities of this ministry and its territorial divisions were defined, and the Public Works Fund under the Ministry of Employment and Labour Relations of the Republic of Uzbekistan is established.

In order to ensure implementation of the Action Strategy on five priority areas of development of the Republic of Uzbekistan in 2017-2021, increasing the efficiency of work of state bodies to ensure employment of the population, creating

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[1] Resolution of the President of the Republic of Uzbekistan of May 6, 2017 No. RP-2960 "On measures for increasing the personal responsibility of heads of executive authorities at places and territorial bodies of the economic complex for effectiveness of work implemented for ensuring employment of the population".

[2] Decree of the President of the Republic of Uzbekistan of May 24, 2017 No. DP-5052 "On measures for further improving the state policy in employment and radically increasing the efficiency of activities of labour bodies".

[3] Resolution of the President of the Republic of Uzbekistan of May 24, 2017 No. RP-3001 "On measures for organizing the activities of the Ministry of Employment and Labour Relations of the Republic of Uzbekistan".

favorable conditions for involving the population in labour activity, as well as stimulating the activities of business entities creating new jobs, by the Ministry of Employment and Labour Relations and the Ministry of Finance of the Republic Uzbekistan has developed a roadmap for improving and increasing the efficiency of work on ensuring employment of the population.

This roadmap provides for:

– allocation of additional funds to the State Employment Promotion Fund under the Ministry of Employment and Labour Relations;

– creation of regional incentive funds for creating new jobs under the Council of Ministers of the Republic of Karakalpakstan, khokimiyats of the regions and the city of Tashkent;

– allocation of microloans in the amount of up to 500 times the minimum wage for up to three years, with a grace period of 6 months, at an interest rate of 50% of the refinancing rate of the Central Bank of the Republic of Uzbekistan, including a commercial bank margin of 50% of the allocated credit rate for implementation of small and mini-projects in districts and cities that provide for creation of new jobs;

– exemption from payment of all taxes until July 1, 2023 of individual entrepreneurs who organized in rural areas, with the exception of settlements with a population of more than 5 thousand people, activities for provision of hairdressing services, tailoring services for individual orders, shoe repair, as well as organizing public baths;

– exemption of individual entrepreneurs from paying a fixed tax paid for each employee;

– permission to family business entities without forming a legal entity to hire up to three permanent employees, with conclusion of an employment contract with them, as well as involve other close relatives who have reached working age, including spouses, as participants in the family business entity without a legal entity; children and grandchildren who have reached working age, brothers and sisters, their spouses and children who have reached working age;

– provision of lump-sum subsidies from the funds of the Employment Assistance Fund for Employers to finance expenses for vocational training and advanced training of workers from among socially vulnerable segments of the population, including persons with disabilities, employed in the direction of employment promotion centers, in the amount of three minimum wages for each employee.

Along with this, the sources of formation of funds of the Fund for stimulating the labour of workers and strengthening the material and technical base of labour bodies were expanded due to an increase from 5 to 10% in the amount of contributions from the Employment Promotion Fund. If we take into account the funds allocated from all sources, the funds of the Labour Incentive Fund have increased almost six times.

Microcredits can also be provided without collateral for unemployed persons registered in employment promotion centers, citizens who have returned from labour migration, women in difficult situations, members of low-income families and other socially vulnerable segments of the population in the amount of not more than 100-fold minimum wage[1].

The state order for training personnel is an instruction to higher, secondary special, professional and general secondary education institutions, including non-state (education institutions), to carry out vocational training, retraining and advanced training of specialists with necessary professional qualification qualities to meet the needs of the labour market by qualified personnel.

Coordination of formation of the state order for training personnel in education institutions is carried out by the Ministry of Economy and Industry, the Ministry of Higher and Secondary Special Education and the Ministry of Public Education of the Republic of Uzbekistan.

In the state order for training personnel, the volumes and structure of personnel training in specialties and qualifications in educational institutions for the replenishment of the personnel of subordinate organizations required for implementing development programs are determined by government and business administration bodies, as well as local executive bodies; introducing new areas of activity, technologies and investments, as well as compensation for retirement. The state order for training personnel is determined by specialties (areas of specialties, specializations), qualifications (professions of workers, positions of employees).

Forecasts of the need for personnel are developed in the context of graduates of education institutions for replenishing the personnel of managerial, production, technical and support staff.

Organizations and education institutions that have received a state order to create jobs and train personnel may receive an interest-free repayable subsidy in the form of a loan from the funds of the State Fund for Promotion of Employment.

State orders for creating jobs and training personnel are aimed at a comprehensive solution of employment issues, enhancing the effectiveness of measures for employment of the unemployed, especially young people and people in need of social protection, raising the level of professional training of personnel, and achieving a balanced labour market.

[1] Resolution of the President of the Republic of Uzbekistan of July 14, 2018 "On measures for improving and increasing the efficiency of work on ensuring employment of the population" // National database of legislation. – 2018. – July 17. – No. 07/18/3856/1515.

18.7. ENSURING EMPLOYMENT OF THE POPULATION ON THE BASIS OF DEVELOPMENT OF SMALL BUSINESS AND PRIVATE ENTREPRENEURSHIP

Small business and private entrepreneurship are the sphere of application of labour and the source of income of a significant part of the population, the most flexible part of the labour market, absorbing the bulk of labour resources of low qualification and with insufficient experience, who want a flexible working day. Often only socially vulnerable segments of the population can find work here: women, young people, first-time job seekers, who have a low level of education and work experience.

Small business has become an important factor in economic development in our country. Small business development is one of the main directions of structural transformations in the economy of Uzbekistan. This sector creates necessary atmosphere of competition, contributes to creation of additional jobs and the growth of incomes of the population.

Stimulation of development of small business and private entrepreneurship are identified as one of the priority areas of the Action Strategy in economics. As President of the Republic of Uzbekistan Shavkat Mirziyoyev noted, another important task is to support and stimulate small business and private entrepreneurship, to further increase the role of this sector in enhancing the country's economic power, strengthening peace and stability, social consent. It is not in vain that it is said that an entrepreneur works for the benefit of not only his own and his family, but also that of the whole nation and state. At the same time, we will not tire of repeating a simple, but at the same time important idea – if people are rich, then the state will be rich and strong. Therefore, impediment to development of entrepreneurship will henceforth be assessed as obstruction of state policy, the policy of the President[1].

Small business is the basis of a market economy, a leading sector that determines the rate of economic growth, the structure and quality of a national product, and the level of employment. Therefore, all over the world, main attention is paid to full development of small business.

The level of development of small business and the activity of entrepreneurs are some of the main criteria for democratization of the state and the openness of

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[1] q.v.: Mirziyoyev Sh.M. Free, democratic and prosperous state of Uzbekistan, we will build together with our courageous and noble people: address at the solemn ceremony of assuming office of the President of the Republic of Uzbekistan at a joint meeting of the chambers of the Oliy Majlis // Narodnoye slovo (People's word). – 2016. – December 16.

the national economy and business environment. Competition in this sector of the economy serves to maintain price stability for goods and services, and encourages entrepreneurs to improve product quality and introduce new technologies. The huge potential of small business has turned it, along with material, financial, human resources and capital, into one of the main factors of production.

Small business is a business entity based on entrepreneurship, carried out in a small form, not directly included in any structure of monopolistic enterprises. Small business, on the one hand, is a kind of subject creating wealth, making maximum use of human capital with involvement of a minimum amount of material resources, on the other hand, a sphere that displays knowledge, qualifications, organizational skills, talent of the population and providing them with income, different material benefits. Small business is rapidly mastering production of new products, occupying new niches in the market, bringing production of goods and providing services closer to consumers, especially successfully developing in sectors that are disadvantageous to large business. The rational use of local raw materials, the rapid development of investments, and the efficient use of working capital are inherent in these business entities.

In world practice, small business is organized in various organizational and legal forms. Moreover, the concepts of "business" and "entrepreneurship" in many cases are used as identical. However, they have certain differences (fig. 18.5).

In Uzbekistan, entrepreneurship was inherent in the population and was highly valued in society. Even in ancient times, entrepreneurs of the region smelted metal from ores, made weapons, household items, jewelry, leather products, weaving developed.

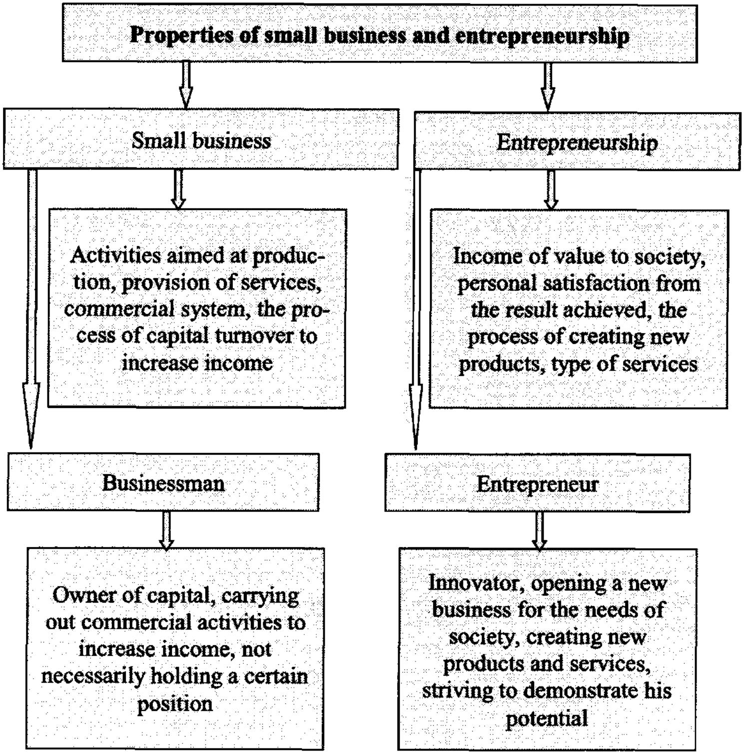

Fig. 18.5. Properties of small business and entrepreneurship

Since the II century BC. the Great Silk Road was of particular importance in craft trade. In the Middle Ages, silk and porcelain made in the countries of the East, in particular in Central Asia, were highly valued in European markets. The famous work "Shahname" describes the bows of Chach known far beyond the borders of Central Asia, which were made in ancient Chach. Khorezm was famous for its carpets, Margilan for silk, Fergana for metal weapons and knives, Bukhara for glass products. By this time, specialization had already taken place among artisans. For example, in the field of skinning, tanners, shoemakers, saddlers, hatters, dressers appeared; in the field of weaving – linen, satin, carpet-makers; in the field of metalworking – blacksmiths, locksmiths, jewelers, etc.

Historical sources indicate that at the beginning of the 20th century, in Uzbekistan there were more than 50 thousand craft workshops, over 110 thousand people worked in them. During this period, entrepreneurs made a significant contribution to development of industrial production. For example, in 1904, out of 44 industrial enterprises in Margilan, 33 belonged to local entrepreneurs[1].

The Constitution of the Republic of Uzbekistan defines the equality of state, corporate and private property. Moreover, private property, along with other forms of ownership, is inviolable and protected by the state.

In determining the role of small business and private entrepreneurship as a priority area of the country's economic policy, it was recognized that:

1) small business is the main source of filling the domestic market with necessary goods and services. It not only fills a certain vacuum in the economy, but also plays an important role in its diversification and stable growth;

2) importance of small business in providing employment and increasing incomes of the population, especially in conditions of Uzbekistan;

3) small business is compact in its structure, efficient in making decisions, quickly masters new rules and procedures, adapts to demand and market changes in world and regional markets;

4) organization and conduction of small business do not require large costs and capital investments. This makes it possible to quickly and relatively simply modernize, technically and technologically re-develop production, master production of new types of products, constantly update their nomenclature and ensure competitiveness;

5) small business has a higher ability than large enterprises to overcome the consequences of financial and economic crises;

6) the essential role of small business in manifestation of creative and intellectual abilities of a person. This area allows everyone to show their talent and capabilities;

7) small business is a factor in formation of the middle class. Moreover, the middle class is foundation of a democratic society[2].

Small business entities in Uzbekistan are presented in table. 18.4[3].

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[1] q.v.: National Encyclopedia of Uzbekistan. Volume 11. – Tashkent: National Encyclopedia of Uzbekistan, 2005. – P. 392-394.

[2] q.v.: Abdurakhmanova G.Q. Employment of the population in small business: Monograph. – Tashkent: Economics, 2014. – P. 90-91.

[3] Law of the Republic of Uzbekistan "On guarantees of freedom of entrepreneurial activity" // National database of legislation. – 2018. – December 21. – No. 03/18/506/2356; 2019. – January 16. – No. 03/19/516/2484; 2019. – March 21. – No. 03/19/531/2799.

Table 18.4

The average annual number of employees of business entities

Business entities	Industries	The average annual number of employees
Microfirms	Manufacturing industries	Not more than 20
	In the service sector and other non-manufacturing sectors	Not more than 10
	In wholesale, retail and catering	Not more than 5
Small enterprises	In light and food industries and building materials industry	Not more than 200
	In metalworking and instrument making, woodworking, furniture industry, as well as in other industrial and production areas provided for by the legislation	Not more than 100
	In mechanical engineering, metallurgy, fuel and energy and chemical industries, production and processing of agricultural products, construction and other industrial production industry	Not more than 50
	In science, scientific services, transport, communications, services (except insurance companies), trade and public catering, other non-productive areas	Not more than 25

Small business entities include:

- individual entrepreneurs;
- microfirms;
- small enterprises.

Individual entrepreneurship is carried out by an individual without formation of a legal entity.

Individual entrepreneurs engaged in handicraft activities are entitled to attract no more than five students for the manufacture of goods (work, services) with payment of the appropriate remuneration to them.

According to the current legislation, business entities are entitled to:

1) carry out any activity not prohibited by the legislation;

2) be the founders (participants) of other business entities – legal entities;

3) to own, use and dispose of property belonging to them by the right of ownership;

4) independently choose the direction of their activities, suppliers and consumers of their goods (works, services);

5) receive income (profit) from entrepreneurship in an unlimited amount, with the exception of business entities occupying a dominant position in the market of goods (works, services);

6) to sell their goods (work, services), production wastes at prices and tariffs set independently, based on market conditions or on a contractual basis, except as otherwise provided by the legislation;

7) to freely dispose of the income (profit) remaining after covering all production costs, paying taxes and other obligatory payments, with the exception of cases of compulsory recovery in court;

8) to obtain loans, attract contractual funds and other property of other legal entities and individuals, including to acquire and (or) receive free of charge, for rent (leasing) of buildings, structures, equipment and other property, and to direct them to carry out business activities;

9) carry out foreign economic activity.

Currently, 218.2 thousand small business entities are carrying out their activities in Uzbekistan. Small business and private entrepreneurship accounted for 56.9% of gross domestic product, they provide work for 78.2% of the able-bodied population (table 18.5).

Uzbekistan has adopted a Program of measures to ensure the accelerated development of entrepreneurial activity, comprehensive protection of private property, and qualitative improvement of business climate on five priority areas, consisting of 42 precise measures. According to this program:

firstly, greater freedom to small business and private entrepreneurship, radically reducing the interference of state bodies in their activities, ensuring early warning, increasing the effectiveness of prevention and preventing crime, are fixed as the most important priority of state policy and primary task of state bodies in the sphere of further development of entrepreneurial activity. As a result, administrative and criminal legislation has been liberalized, business entities and their employees who first committed offenses in carrying out financial and economic activities, in the case of voluntary elimination of the violations and compensation for material damage within the time limits established by law, are exempted from administrative and criminal liability, application of penal and financial sanctions (except fines);

Table 18.5

The share of small business and private entrepreneurship in the economy of Uzbekistan (in % of the total in the country)

Indicator	*2000*	*2005*	*2010*	*2015*	*2016*
Gross domestic product	31,0	38,2	52,5	56,5	56,9
Industry	12,9	10,0	17,9	33,0	43,3
Agriculture	73,6	85,7	95,2	98,1	98,2
Construction	38,4	50,9	52,5	66,7	67,8
Retail trade	74,1	88,2	85,1	87,1	89,6
Export	10,2	6,0	13,7	27,0	26,5
Investments in fixed assets	15,4	24,0	28,5	35,8	39,1
Employment	49,7	64,8	74,3	77,9	78,7

secondly, all types of unscheduled inspections of activities of business entities were canceled, except for audits in connection with liquidation of a legal entity, as well as those conducted solely by decision of the Republican Council for coordination of activities of controlling bodies of short-term inspections based on appeals from physical and legal entities on the facts of violations of the legislation. The term of the audit carried out by decision of the Republican Council for Coordination of Activities of Supervisory Authorities is limited to one day;

thirdly, the requirement to register export contracts of business entities with state customs authorities is canceled;

fourthly, in order to expand forms that do not require contact of business entities with representative bodies, the list of public services rendered through the "single window" is expanding;

fifthly, taking into account the best foreign practices, all inefficient, outdated and replacing market mechanisms standards of technical requirements (sanitary, environmental, city-building norms and rules, fire safety rules, regulatory documents on standardization and technical standards)[1] have been eliminated.

The Ministry of Economy and Industry of the Republic of Uzbekistan proposes to introduce four main areas in which business entities will be classified as small and medium-sized business.

1) individual entrepreneurs;

2) microfirms with an average annual number of employees not more than twenty-five people;

3) small enterprises with an average annual number of employees not more than one hundred people;

4) medium-sized enterprises with an average annual number of employees of not more than two hundred and fifty people.

Currently, in the system of the Ministry of Justice of the Republic of Uzbekistan, together with single centers for provision of public services, entrepreneurship support centers have been organized on the basis of the "single window" principle. They support entrepreneurs on the following issues:

– connection to engineering and communications networks;

– preparation of necessary documents for the use of leasing services, insurance and valuation services;

– when using financial, commodity-raw and natural resources, technological equipment, production facilities, land areas;

– in case of taxation, hiring employees, submitting statistical, financial, tax and other reports, banking services, renting buildings and premises, acquiring state property of zero value;

– when introducing systems of international standards and certificates, including the establishment of cooperative ties with external trading partners, as well as foreign economic activity;

– when organizing bilateral and multilateral negotiations with subjects of market infrastructures, state and economic governing bodies, and local authorities.

The country has created the State Fund for Supporting Development of Entrepreneurship. This Fund assumes a guarantee of up to 50% of the loan (not exceeding

[1] Decree of the President of the Republic of Uzbekistan of October 5, 2016 "On additional measures for ensuring accelerated development of entrepreneurial activity, comprehensive protection of private property and qualitative improvement of business climate" // National Database of Legislation. – 2018. – February 20. – No. 06/18/5347/0788; 2018. – November 26. – No. 06/18/5582/2220.

500 thousand US dollars) issued by commercial banks. The Fund also provides financial assistance in the form of compensation to cover interest loans of commercial banks.

Uzbekistan has been consistently implementing large-scale reforms aimed at creating a favorable business environment for doing business, strengthening the guarantees of the rights of business entities, developing corporate governance, actively attracting foreign investment and providing comprehensive support to investors. As a result, the country's rating in the annual Doing Business Report of the World Bank and the International Finance Corporation improved more than twofold – from 166th place in 2012 to 74th place in 2017 among 190 countries of the world. At the same time, in the Report for 2019, the country entered the top ten reformer countries in terms of creating the most favorable conditions for doing business.

The strategic goal of the ongoing reforms in Uzbekistan in the field of improving the investment climate is to create by 2022 the most favorable conditions for doing business in the country and attracting foreign investments, corresponding to the level of the first twenty countries of the world according to Doing Business Report of the World Bank and the International Finance Corporation[1]. For this, the roadmap has been developed and is being implemented to create the most favorable business climate in the country.

18.8. Implementation of Five Initiatives of the President of the Republic of Uzbekistan is the Basis for Development of Human Capital

The main goal of implementation of Five Initiatives proposed by the President of the Republic of Uzbekistan Shavkat Mirziyoyev is development of human capital, which includes health, skills, knowledge and experience of the population. Investing in people in the form of nutrition, health, qualitative education, job creation and professional development from an early age helps to develop human capital.

In the future, the country's economic growth is possible from increased funding for such areas of the economy as the quality of labour power, human capital,

[1] Resolution of the President of the Republic of Uzbekistan of July 13, 2018 "On measures for further improving the rating of the Republic of Uzbekistan in the annual Doing Business Report of the World Bank and the International Finance Corporation" // UzA. – 2018. – July 13.

healthcare, culture and infrastructure. Development of material, intellectual and spiritual capabilities of a person, accumulation of human capital is becoming an important task of the state. The main priority of the country's budget expenditures is investing in human capital, and such expenditures are education, healthcare and culture.

Without human capital, a country will not be able to achieve sustainable economic growth, nor will it form a contingent of workers who are ready to occupy jobs requiring advanced training, or compete effectively in the global economic arena.

The President of the Republic of Uzbekistan forwarded Five Priority Initiatives to solve these problems, which in essence is the Human Capital Development Project.

Formation of human capital can be achieved through the use of state policy in the fields of healthcare and sports, education, culture and art, modern information technologies, spirituality and enlightenment, as well as vocational training of vulnerable segments of the population.

Thus, formation of human capital is associated with investments in people and their development as creative and productive resources.

In our opinion, theories and basic concepts of human development and its components are a feature of the process of formation of human capital. The human capital of a person is formed from childhood and continues throughout life. Relationship of human capital with models of economic development and economic growth is also considered in the book.

The greater potential each member of society possesses, the higher is the intellectual resource of the whole country, the more is dynamic the growth rate of the economy, the greater is the potential of society. Development of human potential in the Republic of Uzbekistan involves implementation of Five Priority Initiatives of the President of the Republic of Uzbekistan, which includes:

The first initiative involves attracting 2 million young people at the age from 14 to 30 in the culture and art in 2019-2020. The mechanism for implementation of the first initiative is to create additional classes in children's schools of music and art, instrumental, vocal and visual art training classes, amateur theater groups and children's ensembles in cultural centers, where in music, dance, painting, applied arts, language, cuisine and clothing show the national characteristics of Uzbekistan people.

The second initiative involves attracting young people in sports. In this regard, in the next two years, it was proposed to build small gyms in each district using lightweight constructions and sandwich panels. Thus, in the Republic of Uzbekistan, large-scale work is being carried out, which is aimed at creating a healthy lifestyle, one of the main factors in development of human capital, creating conditions for the population, especially the younger generation, for regular physical education and mass sports, strengthening youth through sports competition, will, faith in one's own strengths and capabilities, development of courage, feelings of patriotism and devotion to the Motherland, systemic organization of activities on selection of talented athletes among youth, as well as further development of physical culture and sports.

The third initiative involves effective use of computer technology and the Internet, for which, until 2020, free educational centers on digital technologies and about 19 thousand social facilities will be created in the Republic of Uzbekistan, which will be provided with high-speed Internet access. Young people will be taught programming, robotics, the basics of innovative entrepreneurship in information technologies and electronic commerce.

As a result of this, the main strategic priorities in ICT are currently identified in the Republic of Uzbekistan:

• creation of modern national databases;

• introduction of computer and information technologies in sectors of the real economy, in the areas of management, business, science and education;

• training highly qualified specialists;

• development of the market of information resources and services;

• phased transition to electronic forms of information exchange;

• providing high-speed access to national and international information systems;

• stimulating development of domestic production of software products and their export;

• development of technical infrastructure, taking into account the convergence of information and communication networks and services.

The fourth initiative involves the development of a program for increasing the spirituality of youth and promotion of reading culture. An important task of development of human capital is accumulation of spiritual abilities of a person, development of reading culture among young people. It was decided to send 1 million books to each region, which will include fiction, historical, scientific and educational literature. Reconstruction of information and library centers and opening of public libraries in makhalla assemblies and schools on the initiative of entrepreneurs are planned.

According to the International Institute for Marketing Research, 44% of respondents in Japan read books daily or almost every day, or at least once a week. By this indicator, Japan is among the 15 most reading nations on earth.

That is why the five important initiatives forwarded by the President of the Republic of Uzbekistan on increasing the spirituality of youth and content of leisure are highly appreciated in Japan. Efforts of the Government of Uzbekistan on organizing systematic work for improving the spirituality of youth and widely promoting the reading of books are assessed as highly relevant and timely.

Tokyo regional office of the world-famous World Scientific Publishing has worked out the issue of providing 260 books in English free of charge. Books intended for students of higher education institutions and specialized schools of the

Republic of Uzbekistan are devoted to such subjects as mathematics, physics, economics, information and communication technologies and other relevant areas of scientific-research and educational institutions.

The fifth initiative provides for development of human potential, improvement and realization of women's opportunities. Creation of conditions for ensuring employment of women in labour market is one of the main sources of creating opportunities for realizing human potential and providing women with jobs through creation of sewing and knitting enterprises throughout the Republic of Uzbekistan in 2019-2020. The fifth initiative involves the organization of sewing and knitting enterprises in unused buildings, construction of small workshops using lightweight constructions. In professional colleges, training courses on sewing and knitting will be opened, and women will be trained in professions.

Indeed, ensuring employment of the population, especially women in rural areas, small and medium-sized cities is a priority for the country. Here it can be argued that the problem of employment and job security for women is also very special and peculiar.

The ultimate goal of implementing modernization programs of the economy of Uzbekistan is to increase the welfare of the population. Transition to an innovative economy contributes to great changes in socio-economic life of the country. Among modern programmatic changes, separate tasks are: improving the labour market, employment of the population, increasing employment of women, especially women in rural areas.

Implementation of 5 initiatives, primarily in the regions and schools, will contribute to formation of a broad outlook among young people, it can become smart, highly cultured and physically healthy individuals, in no way inferior to their peers around the world. Implementation of these measures will create additional jobs for graduates of schools, lyceums and colleges. This will allow more than 5 million schoolchildren of the country to confidently build their future, become successful people and contribute to development of the Republic of Uzbekistan.

Thus, five initiatives set forth the essence and principles of formation and development of human capital.

Formation of human capital takes various types, forms, and goes through various stages of a person's life cycle. Formation of human capital is a continuous process by which a person achieves his highest potential and desire to integrate and optimize the combination of the current process, such as education, job search, employment, skills and personality development. And the personality is known to be formed in the school years.

The process of forming a person or a labour power begins at school, continues at college, higher education institutions, advanced training courses, internships, etc.

Each child at the age of 3-4 has a culture of completely free access to any information. Development of a child's abilities enables him to freely manage his talents, to invest as many concepts, skills, and abilities as possible in his tools. Development of the child is affected by the results of his education, which subsequently can affect the development of the labour market. The amount of human capital acquired in the learning process depends on innate abilities. The main period of formation of human capital is the age from 13 to 23. This is a period of a hormonal explosion, puberty, when nature gives the growing body a surge of enormous energy. This energy must be converted (sublimated) in the stadium in order to improve health, on the student bench and in the theater, in order to receive education and culture, learn to set and achieve goals in life, to overcome obstacles. A person can become a skilled worker by acquiring human capital, which is characterized by a high content of knowledge, contributes to innovation and development of new ideas. Formed human capital provides a person with a stable income, status in society, self-sufficiency.

Five initiatives will allow to develop human capital, which will provide priority for investments in human capital with transformative potential. The task is to quickly move towards building a society in the country in which all children eat well, come to school ready to learn, can count on getting real knowledge at school and, growing up, are able to enter the labour market as healthy, skilled and productive workers.

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ISBN 978-1-912966-00-4

9 781912 966004

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