



THE MECHANISM OF THE FUNCTIONS OF LABOR MARKET - THEORETICAL AND PRACTICAL CONSIDERATIONS

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ABSTRACT

From theoretical point of view there are different approaches on determining the object that causes of buying -selling interactions in labor market. There are discussions since the middle of the last century. If the economists of CIS countries had the common view about it before the market economy, it became intricate under the influence of western economists.

From practical point of view, among the whole population of Uzbekistan the tendency of the growth of the population of working age and the shrink of dependency is observed, which requires to increase the number of employed among economic active population. It is important to mention that, during the financial- economic recession, the republic adopted anti-crisis program for 2009-2012, which mainly directed to the most important problems such as creating new labor places and improving the living standards of the population.

JEL CLASSIFICATION & KEYWORDS

■ J01 ■ J11 ■ J21 ■ Labor Market ■ Labor Resources ■ Employment ■ Demographic Trends ■ Workplaces.

INTRODUCTION

Among the problems we can come across during all periods of economic cycle, the important one is satisfactory work of labor market, as it is one of the complicated parts of production markets, and is directly related with the human and his life. Therefore, the successful solution of this problem depends much on deep understanding of objective principles and indicating the future development of labor market.

In understanding the functions of labor market, it is better to use the economic category "hiring" as an element of it. The mentioned economic category does not have adequate place in the theory of labor market, as "hiring" is overlooked in explanation of labor market functions. However, "hiring" is one of the most needed and important element of current labor market.

Hiring is a special economic form in "buying-selling" in labor market that assures the involvement of a worker to the production process. It is important to know what the object of the contract is and how the character of this contract is in hiring interactions in labor market.

In economic literature there are different approaches on determining the object that causes of buying -selling interactions in labor market. There are discussions since the middle of the last century. If the economists of CIS countries had had the common view about it before the market economy, it became intricate under the influence of western economists.

Theoretical aspects of labor market

According to the founder of neoclassic school A. Marshall "...the human factor of production is not sold and bought as the other factors of production", and "a worker sells his labor, but he remains as his owner". He applies the term "selling

the services", as well as "selling labor", and names market that sells this kind of special product as "labor market" [1].

In his book "The Theory of Economic Development", I. Schumpeter says that "...a person cannot sell his work", and in explaining the object of the contract he uses a term "labor services", and names the market as "labor market" [2].

R. Ehrenberg and R. Smith consider that "labor services are sold in labor market". "Even though the labor services are inseparable from workers, the terms of buying them are as important as their prices".[3].

The economists of CIS A.I. Rofe, B.R. Zbishko, V.V. Ishin say that "labor market is a system of social relations which depend on hiring and offering the labor; is an economic place (recruitment sphere where both the sellers and buyers of labor are in action); is a mechanism which assures the contract between the workers and employers about the conditions and the price of labor", and they emphasize that "the present economic theory confirms the selling and buying of labor in labor market" [4].

According to B. V. Korneychuk "... the worker sells his future labor, or takes the responsibility of doing some task in a particular order in a particular time" [5]. A. I. Rofe supporting this theory, approaches the problem from the point of other subject of the labor market, i.e. the businessman or the employer, and says that employer "...buys the future labor and pays for that" [6]. The famous scientist in the specialty of labor, A. Kotlyar says that "labor market is also a field of communication like other markets, and the object of the market is exchange, which happens in the period of changing the cost" [7].

According to V. Plaksja, "...during the buying-selling process, the worker does not move away from his labor, but he loses the right of using it" [8]. V. Bulanov supports his idea, and says: "...a worker stays as an owner of the labor, but during the labor process he only loses the right of using it" [9].

Some other researchers approach to the category of labor force as a rent category. Particularly, A. Kovrijniy supports this approach and confirms that in labor market "happens the process like renting" [10].

Furthermore, an economist from Uzbekistan L.P. Maksakova while explaining the content of labor market considers it as "a socio-economic system that covers the formation of employment, the problems of effective usage and production of labor resources" [11].

While, Q.H. Abdurahmonov says that "being an economic term, labor market reflects the relationship between the owners of the goods (worker), who are at the same time are the sellers, and the buyers (employer)" [12]. Moreover, he supports the narrow viewed description of labor market given by L.E. Ismailova who said that "Labor market is an economic system which is formed based on the costs to meet the needs of 1) the employers, owners of means of production and 2) the workers, the owners of labor force, for the former to provide his demand for labor force, and for the



latter to provide his need to be hired as a base of his living" [13].

The Influence of Demographic Tendencies to labor market

From the point of the factors affecting the application of labor market, if we approach to evaluation of its current position using the method of scientific abstraction, we can take the demographic factor as the main factor. Especially, from the year of independence until now, the population of Uzbekistan increased 35,3%, while the labor resources increased 62,7%. Moreover, if the contribution of labor resources in the whole population was 49,3% in 1991, it became 59,3% in 2010 [14].

The main tendency in of demographic development in the regions of the republic can be seen as the decrease of birth and the negative result of migration. At the same time it is affecting to the younger generation. Particularly, among the age groups, the population younger than working age decreased from 43,1% in 1991 to 32,4% in 2010 and the population older than working age decreased from 7,8% to 7,3% respectively. The population of working age increased from 49,1% to 60,3%. As a result, the demographic load per 1000 persons decreased from 1035 to 652 persons, or 1,6 times. It shouldn't be overlooked that this demographic load will happen when all population of working age are supplied with work. Moreover, the coefficient of intensive generation change was 5,6 in 2000, 5,3 in 2005, and 4,2 in 2009 [14].

The analysis done based on the statistical sources show that the employment rate has a stable tendency to increase which can be clearly seen in the ratio with labor resources and total population. Moreover, among the whole population the increase of the population of working age and the shrink of dependency can be observed, which may cause two outcomes: first, ineffective use of them may result unemployment problem to come to the peak, second, effective use of them may cause significant economic development. In this case the attention must be paid to increase the number of employed among the economic active population.

In 2010 the net population growth increased 35,3% compared to 1991, while the number of employed in different spheres of economy increased 54,7%.

After the independence the raise of labor resources (62,7%) was higher than the raise of employment levels. Only in 2006-2010 years it is observed that both labor resources and employment level increased equally. It can be the result of wide socio-economic reforms. However, the level of employment of economic active population or labor resources in different spheres of economy in regions comprises 61-77%.

Considering the increase of created job opportunities in labor markets of Uzbekistan and the significant improvement of living standards of population, the above situation can be explained by insufficient consideration of employment levels in labor market.

The analysis of employment in Uzbekistan by gender shows that 45,8% of employed population consisted of women in 2010. In 2000-2009 years the number of employed women increased 27,9%, while the number of employed men increased 18,9% [14]. The raise of employed women is related to the structural changes in economy and the development of the economic fields that require female labor.

The level of economic activeness of women in Uzbekistan is high enough and it was 68,9% in 2010. This indicator is

15,8% higher than the average world level. Even though the high level of activeness is considered positive, it shouldn't be overlooked that women are performing their social production including their responsibility at home. However, the level of economic activeness of men is lower than the average world level. This information shows that the employment problems of men and the ways to increase their economic activeness can be the object of other research.

Hypothesis

The following hypothesis can be given: including all economic active population to the rank of comers to labor market puts the labor force as a commodity on the first place and lowers the effective labor, which is the main function of the worker, to the second place. Meanwhile, when distributing unemployed person according to his potential labor force, his functional labor force steps back to the second place. As a result, after the realization of labor the inclusion of some employed persons to the category of unemployed happens.

The practical point of this hypothesis

The practical point of this hypothesis is that there are vacancies as well as unemployment. Particularly, until 1998 in labor market the vacancies or the need for the employees required by the working institutions was higher than the number of official unemployed registered in the labor offices. The reverse has happened from 1999 to 2005. Since 2006 the vacancies increased compared to unemployed. It means that there was unproportionality between unemployed and the vacancies they want or the cyclic development of economy was changed during these years.

Some practical aspects of labor market

The migration has an important place at the current situation of labor market. According to the analysis the high level of external labor migration process is soaring in the regions where labor market is comparatively oppressive. Labor migration causes both positive and negative results. To decrease the demographic pressure in labor market, to help to shrink the level of unemployment and to have the "migrodollars" to improve the economic situation of migrants can be considered as the positive result. Meanwhile, this process is happening with several negative outcomes, which are illegal employment, the loss of professional knowledge and skills of workers, as they work in different fields than their profession. Moreover, the labor migration may result in some socio-economic problems, especially, the damage of health of migrants, the break of the family relations, and the decrease of attention to the education of children.

It is important to mention that, during the financial-economic recession, the republic adopted anti-crisis program for 2009-2012, which mainly directed to the most important problems such as creating new labor places and improving the living standards of the population. The other peculiarity of the labor market is to consider the costs of newly created labor places and compare them with their effectiveness and direction. The cost of a new labor place differs depending on the specialty, and the cheapest one is in the craftsmen, which means that using flexible (untraditional) forms of supplying with job is effective.

Conclusion

Based on the wide analysis of the labor market the following suggestions are provided for the future development of it:

- Approaching to the problem of effective organization of the labor market considering the changes in the regional demography;



- Narrowing the scale of structuring the regional programs or following the tendency from private to common;
- Widening the scale of exhibitions of available vacancies and developing quality national information system about available vacancies;
- When providing the balance between the needs of the economic institutions and the plan for future personnel development, not only the internal demand, but also external demand must be considered.

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