

State Intervention in Labor Legislation and Economic Development

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Abstract—The article is devoted to establishing the dependence of state-imperative interference in the labor legal regulation and the effective development of the economy.

The author bases on the historical analysis of the labor legal regulation, using the example of Russia, as well as statistical data on the indicators of the country's economic development. The analysis made possible to identify the defects of choosing methods of labor legal regulation that did not allow the employer, in particular, to manage the process of work in his own interests to achieve the organization's goals.

It is justified that the dysfunction in the process of implementing the administration (management) function of labor law, aimed at satisfying the employer's need for the effective managing his activity to achieve the required results, leads to stagnation of the country's economy. If the employer's needs are ignored for a long time, even the economic crisis is possible.

The carried out research led to the conclusion that an effective realization of the economic function by the state is impossible with an exclusively centralized, imperative regulation of labor relations.

Scientific novelty consists in justifying as necessary to take into account the needs of the employer when the state chooses methods for regulating labor relations, in order to create the basis for sustainable economic development.

Keywords—State, employer, labor law, economy.

I. INTRODUCTION

The impact of the economy on most spheres of public life in recent times increases significantly in light of this the implementation of State economic functions comes to the fore. "The economic function is the main and constant function of the State as material relations are the foundation (basis) of the state" [1, p.294].

Law is a characteristic device for implementation of this function, including labor law. Regulating labor relations, it affects the pace of social development and economic growth. Production methods of wealth form the economic base of society, i.e. combination of productive forces (labor work and means of production) and industrial relations (including relationships associated with labor relations property), which is the basis of most of the processes taking place in the economy. The changes occurring in the economy are often due to the share of public peremptory interference in matters of legal regulation of the use of hired labor.

History of Russia is one of the examples how state policy in the sphere of employment directly affects the economic development of the country. I believe that a retrospective analysis of

the ratio of legal regulation of labor relations and the economic situation will make it possible to identify the patterns that will determine an optimal degree of the state intervention in labor regulation conducive to effective economic development, without prejudice to social needs of a worker.

The revolution of 1917 set a goal to destroy capitalist economy in Russia and socialize industrial enterprises. Centralization of economic governance began -nationalization of industry, and at the same time tough mandatory regulation of labor relations. The state explicitly defined working conditions, restricting the freedom of the parties in the employment contract, thereby allowing administrative interference in relations between employers and employees [2, p.119]. This was reflected, for instance, in imperative regulation of remuneration, i.e. the wage of each worker did not depend on the results of his personal work.

However, after some time the state acknowledged the need to increase productivity, which is only possible by increasing personal interest of workers in their labor, and hence the bonus system appeared, but in compliance with strict legal order [3].

In terms of the economy, according to the American economist J. K. Galbraith, it is justified and appropriate to control its elements such as wages or prices of goods and services, or on both at the same time. It is possible to influence the "wage-price" relationship only by coercive measures [4, p.215].

Imperative intervention in matters of remuneration deprived the employer of the possibility to control production effectively to achieve the company's goals. Since then and for many years the needs and interests of the employer partly has overlapped with the public ones as the private ownership of tools of production, capital, factories and land was abolished, and the state became a holder of all means of production.

As a result, according to S.N. Prokopovich, instead of the promised growth in productivity and productive forces, people's income and standards of living of workers such a policy has brought their catastrophic decline. The performance of the main branches of the big industry has plummeted. Thus, production of pig iron in 1913 was 4207 thousand tons, in 1917 - 3023 thousand tons, in 1918 it dropped to 515 thousand tons, and in 1921, it was only 116 thousand tons. [5, p.329]

The recession in the economy forced the state to reconsider not only economic policies but also the attitude to labor. The new economic policy was based on the elements of the market

economy, resulting in a weakening of excessive centralization in the leadership of the industry and manufacture, and it favorably affected the economy. For example, pig iron production amounted to 300 thousand tons in 1922, 601 thousand tons – in 1923, 1192 thousand tons – in 1924, and 3328 thousand tons – by 1927. [5, p.345]

However, it was a “kind of state capitalism with a concentration of power in the hands of the State apparatus” [6, p.28-29]. The most important industries were still nationalized. In the economy, as in the past, statutory interference in internal economic activity of organizations, businesses and factories prevailed. It did not allow an employer to take effective advantage of labor.

By the end of 1925 productivity growth had stagnated and even gone backwards, because the effect of the industry recovery, when the busiest production capacity increased productivity and reduced product costs, ceased to be in force [6, p. 36-37]. It became apparent that further socio-economic development of the country without creating a large, well-developed industry in the economy is impossible.

However, the funds for the industrialization of the country were not enough, so the question of choosing a further trajectory of development has come up. You can continue to develop its agriculture and light industries, to accumulate in these industries all the necessary funds for the development of heavy industry, as it has been in most European countries, in America. There was another possible option, which was adopted - administrative use of non-economic methods, forced redistribution of capital, i.e. development of heavy industry at the expense of other sectors of the national economy. To achieve this, the concentration of production in the hands of the state was necessary. In Russia, only the beginning of 1930-s of the twentieth century can be considered as an industrial benchmark. [7, p.123].

Amendments in the labor legislation at that time were associated with the need to maximize productivity through intensification of labor and use of extensive methods. Labor law, inherited from the period of NEP, was not good to ensure the implementation of these tasks. [8, p.25] The state has returned to regulate labor relations according to the imperative order by establishing uniform rules for all employers, sometimes ignoring the peculiarities of organizations and industries.

Despite the fact that the employer was actually deprived of the autonomy, at the first stage, it did not adversely affect the economy and even gave a positive effect. For example, S.G. Strumilin, comparing the growth economies of the United States and Russia from 1913 to 1963 noted that while in the United States, having complete inaccessibility of the overseas borders, the production grew only 6 times, in the USSR, despite the military incursions, trade embargo and all the tension of the “cold war”, industrial products for 50 years increased in 52 times. Annual growth in average for 46 years (since 1917) in the United States was not above 3.4%, while in the USSR it was not lower than 10%. The increase for the period, which included the wartime against fascism, is an unprecedented achievement in history. [9, p.501]

However, at this time, against a backdrop of relative prosperity, the need to overcome the shortcomings of the administrative-command system of economic management arose. This was due to the fact that further development with the preservation of the former pace without changing the approach to improve productivity was impossible.

Technological advances had to become the basis for economic growth and, consequently, productivity increase [10, p.27-28]. However, it was difficult, because the whole industry was nationalized and administrative-command management was carried out in the economy. As a result, the suppression (destruction) of the initiative and flexibility of manufacturers to make goods that meet the needs and demands of consumers took place. Administrative management system excluded competition, but without it, companies were not interested in technical progress [11, p.396].

Against a backdrop of slowing economic growth, the state tried to start active reforms, but their final was the worst: the effectiveness of the whole production decreased. Labor productivity in the Soviet Union in 1970 year was approximately 40% of that index in the United States [6, p. 49-50, 54].

As M.V. Konotopov and S.I. Smetanin rightly noted, "they used material interests of the worker, but not the business" [11, p. 397]. Business leaders were not interested in increasing productivity; effective management of production due to detailed public regulation of economic and administrative activity of employers.

For failure of employers to determine the purpose for which they carry out their activities, as well as the ways of achieving those objectives, they have formed a certain strategy of behavior. For example, they were interested in getting smaller target volumes, because it protects them against the risk of non-compliance.

"To correct this, it was necessary to link welfare of an enterprise with the results of its work, i.e. to restore the principle of cost accounting" [11, p.399]. In circumstances where the state, as in the past, determined what and how much to produce, the market laws could not work. In addition, the state defined and established payroll, as well as the number size and staff. This did not allow an employer to make a rational use of labor resources.

Moreover, as a result of active intervention of the state in the process of labor application, manifested signs of economic crisis manifested in 1985. Appearance of the state domestic debt was registered. It amounted to 141.6 billion rub, i.e. 18, 2% of the gross national product. [12, p.614]

Industrial production growth rate steadily dropped as the extensive production factors reduced. First intensification was the best option for the development of the economy, now it is the only possible option. However, while preserving an administrative-command management system by not only economies but also people's labor in the absence of competition, it was only an intent, purpose.

Therefore, the national plan for economic and social development of the USSR for 1986-1990 [13] included a provision for the gradual transfer of associations and enterprises to full

self-financing, enhancing their economic independence. The state did not reject planned economy and administrative-command system of management, but reviewed its approaches to them.

The 1989 complexity in economy has been intensified. Since 1985 for only 4 years the state domestic debt doubled and was 398.2 billion rub., or 42.8 per cent of the gross national product [12, p.614].

Very difficult economic situation in the country has led to the forced abdication of the state monopoly of the means of production. The law of the USSR "On basic principles of denationalization and privatization of enterprises" was adopted [14]. The emergence of private ownership of the means of production involved a change of attitude to work. Imperative legal regulation of labor relations was weakened.

I believe that the collapse of the economic system was an objective regularity. It is largely attributable to the neglect of the needs of the employer. The Soviet Government did not provide opportunities for effective implementation of claims on management, to achieve their stated goals of the company. The state actually possessed all the means and ways of implementation of management functions.

The Russian Federation has chosen a different path of development. Implementation of the market economy, effective development of which is impossible without the activity of owners of the means of production. In 2002, Labor Code of the RF [15], which provided for a contractual regulation of labor relations with the public, centralized. This type of management was prioritized: collective contract (collective bargaining), as well as individual one (employment contracts). In addition, local regulation of labor relations in certain enterprises was developed.

These changes have had an impact on the economic situation in the country: a budget surplus was recorded for the first time over the past two decades in the consolidated budget of the Russian Federation in 2000 [16, 17, p.548].

II. CONCLUSION

In my opinion, changes of the state policy in the field of labor management were one of the factors affecting the improvement of the country's economy. If a state, choosing ways of legal regulation of labor relations, takes into consideration the needs of the employer in the effective management of the enterprise, it helps the sustainable and stable development of

the economy. I believe that today not all resources of labor legislation, through which employers can enhance the effectiveness of their organizations, without prejudice to the rights and legitimate interests of workers involved in full.

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