

# Labour Market and Socio-Economic Policy: Features of Mutual Influence

I. V. Zadorozhneva

Financial University under the Government of the Russian Federation

Moscow, Russia

[j\\_zadorozhneva@mail.ru](mailto:j_zadorozhneva@mail.ru)

**Abstract**—The concept of labour market and its features are described in the article. The employee life cycle in this article is considered in the context, that an employee is a subject of the labor market and includes three main stages: reproduction, distribution and using. The structural scheme of labour market functioning is constructed. This scheme represents a new view on labour market structural composition and includes employees and employers as the most interested subjects and infrastructure. The labour market infrastructure includes Reproduction, Regulation and Providing subsystems. The Reproduction subsystem responds for formation and development of employees' professional knowledge and skills. The Regulation subsystem responds for creation and realization of normative-legal acts. The Providing subsystem responds for implementation mediating function between an employee and an employer by providing information about vacancies and applicants. The necessity of state regulation of the labor market by means of socio-economic policy measures is revealed.

**Keywords**— *labour market; socio-economic policy; state regulation; employee life cycle; labour market structure.*

## I. INTRODUCTION

Labor market is an important structural element of the national socio-economic system. The efficiency of its functioning exercises a direct impact not only on the paces of macroeconomic development, but also on the level and quality of citizens' life. Full employment policies are important for workers' welfare and cornerstones for ensuring equitable societies [1]. The labour market is not a market per se where "demand" (employers looking for labour) and "supply" (people providing their "labour force") meet and freely contract, the labour market needs a set of rules, organizations, policies and resources to properly function and to enforce the rules [2].

The labor market is a set of socio-economic, information-communication, organizational-legal relations between subjects arising in the continuous process of labour force reproduction, distribution and using, as well as in creation and implementation a set of employment measures.

Labor force is understood as a set of intellectual and physical person abilities, in fact it's the abilities to work. Labour is an appropriate conscious person activity to create material goods and services aimed at satisfying not only his personal needs, but also society. Thus, in fact labour is a process of direct using (application) different abilities of people to perform labour activity. Since the abilities are

bought and sold in the market, it would be reasonable to use the concept of "labour force market" instead of the concept of "labour market" from a substantial point of view.

## II. EMPLOYEE LIFE CYCLE

The employee life cycle in this article is considered in the context, that an employee is a subject of the labor market. Labour force reproduction, distribution and using are the main stages of the employee life cycle. The final stage, the exemption from labour activity as a result of retirement, death or disability for various reasons, is not considered in the context of this study, because it is not directly related to the concept of the labour market.

The labour force reproduction or formation implies the continuous restoration of mental, physical and socio-cultural workers' abilities. From the employers' point of view, this stage involves staff renewal, i.e. the recruitment of new staff, for example, instead of retired or to provide new jobs. At this stage an important role is given to professional training and retraining of personnel, for the implementation of which educational organizations are necessary.

The labour force distribution or redistribution reflects internal and external migration of workers [3], [4]. Thus, it is the movement of workers between economic sectors, regions of the same country or different, organizations (enterprises, companies, institutions).

The labour force using or consumption is the direct process of realizing the workers' abilities to produce goods and provide services. For the performance of labor activity an employee receives material and immaterial award. Material is a wages, i.e. the labor cost, which arranged both an employee and an employer in the labor market. Immaterial is a socio-psychological satisfaction from the possibility of realization self abilities in the collective, further improvement and development.

## III. STRUCTURAL SCHEME OF LABOUR MARKET FUNCTIONING

Traditionally, employers and employees, public authorities and intermediary organizations, workers' and employers' associations are singled out as subjects in the labour market structure. In author's opinion, the structural composition of labor market elements requires clarification in accordance with their functions (see Fig. 1).

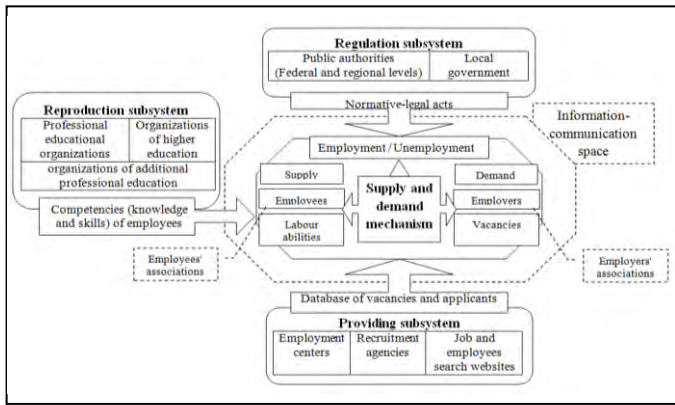


Fig. 1. Structural scheme of labour market functioning.

Employees and employers are the direct participants in the relationship to meet the supply and demand for labour force. They are the most interested subjects of the labor market in reaching a compromise on the price of labour force [5]. Activity coordination of these subjects is carried out through the supply and demand mechanism. Employees offer (actually sell) their abilities to work, and employers buy them if there are vacancies. In this case, it would be more accurate to say “potential employees”, i.e. those representatives of the economically active population who are unemployed and are looking for work, or are employed and also for various reasons can look for work.

It should be noted that there is another category of citizens, “self-employed”, whose legal status is not yet officially fixed in Russia, but their presence has an impact on the level of employment. Self-employment is one of forms of non-standard employment, analysis of positive and negative sides of which are the object of active researches today [6]. The Tax code of the Russian Federation [7], despite the fact that the concept of “self-employed” is not used, defines those individuals who are not individual entrepreneurs and receive income outside the employment relationship, the procedure for their registration and payment of taxes.

Employees’ associations [8], such as the Federation of independent trade Unions of Russia [9], and employers’ associations [10], such as the Russian chamber of Commerce and industry [11] influence on the labour market. These associations perform representative functions and ensure the protection of social and economic rights of their members.

The labour market infrastructure is a set of interrelated organizational elements that make up and provide the basis for the effective functioning of the employment system.

The labour market infrastructure includes Reproduction, Regulation and Providing subsystems.

The Reproduction subsystem responds for formation and development of employees’ professional knowledge and skills. It’s represented by educational organizations (higher and secondary special educational institutions, research institutes, etc.) [12].

The Regulation subsystem responds for creation and realization of normative-legal acts. It’s represented by Public authorities and Local government.

The Providing subsystem responds for implementation mediating function between an employee and an employer by providing information about vacancies and applicants. This subsystem is represented by the state employment centers [13], which, in addition to the listed functions, carry out official registration of the unemployed and pay benefits. The structure of this subsystem also includes recruitment agencies for search and selection of personnel, whose activities are carried out on a paid basis. Currently, websites for job search and employees took active development.

All structural elements of the labor market are united by a common information-communication space to improve the efficiency of interaction.

#### IV. STATE REGULATION OF THE LABOUR MARKET

The high level of unemployment and the significant differentiation of the population in income levels indicate the need for state regulation of the labor market. In the structural scheme of the labor market functioning, presented above, regulation is provided by public authorities through the development and implementation of legislative acts.

The Law of the Russian Federation on employment [14] defines legal, economic and organizational bases of the state policy of employment promotion, including state guarantees on the implementation of the constitutional citizens’ rights to work and social protection against unemployment. This law also specifies that state guarantees for the implementation of the citizens’ rights living abroad are determined by international treaties (agreements) of the Russian Federation.

The state employment policy is a part of the state socio-economic policy [15]. Man is an ultimate goal of socially-oriented economic policy, and, as an essential active resource for economic growth, is the central part of the socio-economic system “society – man – state”. Socio-economic policy that is used as a connecting link of this system and a tool for implementing the state development strategy, allows to confront its priority tasks, which are aimed primarily at improving the quality of citizen’s life and the possibility of free human development. Measures of socio-economic policy aim at establishing a balance between social stability and economic efficiency [16], as well as at ensuring the protection of the right to work and the right to search and hire workers.

Socio-psychological characteristics of socio-economic policy are the hierarchy of the provisions on the “social ladder”; a set of actors’ professions by type of economic activity; spatial-temporal characteristics of human capital development [17]. The hierarchy of the provisions on the “social ladder” means that every person has specific socio-economic status in society by the level of education, financial prosperity, hold position, etc. A set of actors’ professions by type of economic activity means that every person has choice profession by kinds of economic activity in accordance with his abilities and the labor policy. The sum of profession by kinds of economic activity is a “socio-economic organism” of a regional economic system. Spatial-temporal characteristics of human capital development mean that with a unified state Strategy of socio-economic development there are various

conditions for the development and implementation of human capital in different regions, at different times.

Socio-economic a person's status in different periods of life and in different regions of living can vary significantly. Thus, there is an obvious interaction and interrelationship of spatial-temporal characteristics and hierarchy. The psychological component of this approach is that a man's status is influenced not only by objective socio-economic conditions, but also by subjective individual and psychological characteristics of personality, which, under other equal conditions, can contribute to personal development, or in contrary to be it a deterrent or inhibitory factors.

Realization of human potential, the level of income and, as a consequence, the level and quality of life depend on the chosen profession. Quite often when applicants make such a choice their priority is not the appropriate abilities, but the demand for this profession in the market and the availability of budget places for admission. Consequently imbalances arise in the labour market and the state has an additional cost for payment of unemployment benefits and retraining of graduates who are unable to work in the specialty.

The socio-psychological aspect of these phenomena is manifested in the occurrence of various serious occupational diseases up to disability [18], as well as professional stresses on the basis of dissatisfaction with work and working conditions in particular, and life quality in general [19]. This implies new requirements to the labor regime and regulatory breaks for the implementation of recovery processes, a new approach to the organization of wages and its reproductive function" [20].

Therefore, effective implementation of socio-economic policy involves the creation of comfortable, safe working conditions and suggests minimal differences in income level between different professional groups.

So, the main objective of the state social and economic policy is to create economic and legal conditions that allow every employable citizen to support self welfare and family well-being through self work and entrepreneurship, while strengthening the targeting of social support for poorly protected groups of population.

Features of mutual influence of the labor market and socio-economic policy are manifested in the ambiguous reaction of the population in the form of strikes and other forms of social protests, which can have a significant impact on management decisions. These events are a reflection of the inefficient use of the instruments available to the public authorities to influence economic processes and agents of economic activity, the lack of detailed forecast and study of possible options for the consequences and as a result of non-compliance with the goals.

## References

- [1] Labour Markets, Institutions and Inequality. Building Just Societies in the 21st Century / ed. by Janine Berg. - Geneva: International Labour Office with Edward Elgar, 2015.
- [2] G. Schmid, J. Wagner, Managing social risks of non-standard employment in Europe. Geneva: International Labour Office, [http://www.ilo.org/wcmsp5/groups/public/---ed\\_protect/---protrav/---travail/documents/publication/wcms\\_584686.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/publication/wcms_584686.pdf), last accessed 2018/08/05.
- [3] Gimpelson, V., Kapeliushnikov, R., Sharunina, A. The Pathways We Choose: Intra- and Interfirm Transitions. HSE Economic Journal. vol. 20 no. 2, 2016, pp. 201–242.
- [4] European Migration - What Do We Know? / ed. by Klaus F. Zimmermann. - Oxford: Oxford University Press, 2005.
- [5] Russian labor market: trends, institutions, structural changes. Report by Centre for labour research HSE and Laboratory for labour market research HSE / ed. by V. Gimpelson, R. Kapeliushnikov, S. Roshchin. - Moscow: HSE, 2017.
- [6] G. Schmid, Non-Standard Employment in Europe: Its Development and Consequences for the European Employment Strategy. German Policy Studies. vol. 7 no. 1, 2011, pp. 171 – 210.
- [7] Tax code of the Russian Federation, 31.07.1998 N 146-FZ – art. 83, art. 217, [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_19671/](http://www.consultant.ru/document/cons_doc_LAW_19671/), last accessed 2018/07/27.
- [8] Federal law, 12.01.1996 N 10-FZ –About trade unions, their rights and guarantees of activity”, [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_8840/](http://www.consultant.ru/document/cons_doc_LAW_8840/), last accessed 2018/07/25.
- [9] Federation of independent trade Unions of Russia, <http://www.fnpr.ru/>, last accessed 2018/07/25.
- [10] Federal law, 27.11.2002 N 156-FZ –About employers' associations”, [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_39744/](http://www.consultant.ru/document/cons_doc_LAW_39744/), last accessed 2018/07/25.
- [11] Russian chamber of Commerce and industry, <http://tpprf.ru/ru/>, last accessed 2018/07/25.
- [12] Federal law, 29.12.2012 N 273-FZ –On education in the Russian Federation” – art. 23., [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_140174/](http://www.consultant.ru/document/cons_doc_LAW_140174/), last accessed 2018/07/25.
- [13] Federal service for labor and employment, <https://www.rostrud.ru/>, last accessed 2018/07/25.
- [14] Law of the Russian Federation, 19.04.1991 N 1032-1 –On employment in the Russian Federation”, [http://www.consultant.ru/document/cons\\_doc\\_LAW\\_60/](http://www.consultant.ru/document/cons_doc_LAW_60/), last accessed 2018/08/05.
- [15] I.V. Zadorozhneva, The structural elements of regional economic policy. Journal of Moscow State Regional University. Series –Economy”. vol. 2, 2011, pp.15–18.
- [16] J. Tinbergen, Economic Policy: Principles and Design. - Amsterdam: North-Holland Publishing Company, 1956.
- [17] I.V. Zadorozhneva, H.-Christian Brauweiler, A.E. Kalinina, Complex Matrix of Characteristics Socio-economic Policy of a Region. Recent studies in the modern world: materials of International scientific-practical Internet-conference, June 13-14, 2015, Pereyaslav-Khmel'nitsky. Collection of scientific works. - Pereyaslav-Khmel'nitsky. vol. 1, part 2, 2015, pp. 116-118.
- [18] Kendall NAS, Linton SJ, Main CJ. Guide to Assessing Psychosocial Yellow Flags in Acute Low Back Pain: Risk Factors for Long Term Disability and Work Loss. Accident Rehabilitation and Compensation Insurance Corporation of New Zealand and the National Health Committee. - Wellington, NZ, 1997.
- [19] Kirsten A Way. Psychosocial Hazards and Occupational Stress. The OHS Body of Knowledge. The Safety Institute of Australia, 2012.
- [20] S.M. Belozerova, Social policy in the field of labor and problems of working capacity. Scientific reports of the Institute of Economics RAS. Volume II. Social and economic strategy of Russia. – Moscow: Publishing house –Economics”, 2010, pp. 125 – 184.