

FEATURES OF THE FORMATION OF LABOR FORCE QUALITY IN CONDITIONS OF LABOR MARKET LIBERALIZATION

Irada Nəbiyeva

Azerbaijan State University of Economics (UNEC), Baku, Azerbaijan
e-mail: irada.nabiyeva@unec.edu.az

Abstract. The article examines the features of the formation of a liberal labor market. The modern human management practices are considered using the example of the development of various countries which include labor standards regulating the relationship between employee and employer. The concepts of the development of historical views that contributed to the formation of the liberal labor market are analyzed.

Keywords: Human resource management, liberal labor market, employee and employer, marxism, labor productivity.

ƏMƏK BAZARININ LİBERALLAŞDIRILMASI ŞƏRAİTİNDƏ İŞÇİ QÜVVƏSİNİN KEYFİYYƏTİNİN FORMALAŞDIRILMASININ XÜSUSİYYƏTLƏRİ

İradə Nəbiyeva

Azərbaycan Dövlət İqtisad Universiteti (UNEC), Bakı, Azərbaycan

Xülasə. Məqalədə liberal əmək bazarının formalaşması xüsusiyyətləri araşdırılır. Bu məqsədlə müxtəlif ölkələrin inkişafı nümunəsindən istifadə edərək, müasir insan resurslarının idarə edilməsi təcrübələrinə daxil olan işçi və işəgötürən arasında münasibətləri tənzimləyən əmək normaları nəzərə alınmışdır. İnsan resurslarının formalaşmasına töhfə verən tarixi baxışların inkişaf konsepsiyaları təhlil edilmişdir.

Açar sözlər: İnsan resurslarının idarə edilməsi, liberal əmək bazarı, işçi və işəgötürən, marksizm, əmək məhsuldarlığı.

ОСОБЕННОСТИ ФОРМИРОВАНИЯ КАЧЕСТВА РАБОЧЕЙ СИЛЫ В УСЛОВИЯХ ЛИБЕРАЛИЗАЦИИ РЫНКА ТРУДА

Ирада Набиева

Азербайджанский Государственный Экономический Университет (UNEC), Баку, Азербайджан

Резюме. В статье рассматриваются особенности становления либерального рынка труда. Были приняты во внимание как современные практики управления человеческими ресурсами, включающие в себя трудовые нормы, регулирующие отношения между работником и работодателем на примере развития различных стран. Проанализированы концепции развития исторических взглядов, которые послужили становлению либерального рынка труда.

Ключевые слова: Управление человеческими ресурсами, либеральный рынок труда, работник и работодатель, марксизм, трудовая производительность.

1. Introduction

It is argued that economic activity in liberal market economies such as the US and UK is predominantly characterized by market transactions carried out by atomistic firms (an economy with a large number of independent firms operating). The liberal market-capitalist model, which assumes the priority role of private property, is a market-competitive mechanism. Within varieties of capitalism, the primary function of the state in a liberal market economy is seen as ensuring the free operation of market forces, as this is said to be the most effective method of coordinating firms and economic activities and increasing economic efficiency. The link between the labor market and results in the workplace, as well as employment protection

outcomes is complex because of many other factors. Traditionally, the UK's liberal approach has not directly improved productivity and the relationship between job protection and productivity is somewhat ambiguous (the UK has exceptionally high levels of permanent employment). The US is the only clear example of an economy with low job protection and high productivity. An important trend in the American labor market should be the strengthening of the motivational component for employees in the growth of qualifications, which is observed both in wages and in the connection between education and the position of workers in the market.

Economists tend to be more optimistic about the effects of automation on the labor market than other analysts, although they note that large groups of workers (such as the less educated) may be harmed by it. This is because the traditional functions and structure of the workforce may change over time. New jobs are created in the liberal labor market; various adaptation mechanisms allow workers to adapt by receiving more education and moving geographically, between occupations and industries, allowing them to find new (and sometimes better-paying) jobs. The reason for the potentially greater impacts of automation in the future is the rapidly growing ability of artificial intelligence (AI) to perform non-routine work tasks that have been outside the scope of automation until now. These tasks can range from social and interactive tasks performed by less educated workers to more complex and analytical tasks performed by highly educated professionals. In this case, employment and labor force activity could potentially decline for long periods of time while unemployment rises and the workforce's discontent that led to the movements in the industrial world could become even more powerful and widespread, leading to serious political and economic upheaval.

2. Market liberalism

Market liberalism is an ideology that is an integral part of social thought about minimal government intervention in the economy of the nation. Modern processes of economic transformation are placing ever new demands on the labor market and the employment sector [6]. Market liberalism is seen as the opposite of non-capitalist economic structures such as socialism. Market liberalism was first analyzed by Adam Smith in *An Inquiry into the Nature and Causes of the Wealth of Nations* that put forward minimal government intervention in a market economy. Smith believed that if everyone was left to their own rather than controlled by government, the result would be a harmonious and equal society that could continually grow and prosper. In the *Wealth of Nations*, the scientist praised the ability of market economies to produce rising wages and rising standards of living for all classes in developing capital-accumulating societies such as European, British and North American ones [2, p.22]. Aware of the relationship between wage rates and population growth rates, Smith had little concern about excessively rapid growth of population or labor supply; economic growth will automatically improve the lot of the poor.

3. Malthusian theory and classic view

The English scientist, demographer and economist, the author of the theory that uncontrolled population growth could lead to a decline in prosperity and mass starvation, Malthus (1766-1834) took a darker view of the ability of a capitalist economy to ensure the prosperity of the entire society. At the heart of Malthusian pessimism was the assumption that the lower classes would react to an increase in their income. He expected that higher wage rates would lead to earlier and more fertile marriages, which would, over time, increase the size of the labor force and subsequently reduce the wage rate to its original level. Since the United States at that time had a huge amount of fertile and untouched land on which to farm, Malthus assumed the best-case scenario. Using piecemeal data for the United States, he concluded that the population, if left unchecked, doubled every twenty-five years or increased exponentially. Sooner or later, food supplies run out, it also cannot be increased exponentially, this would contradict all our knowledge about the properties of the ground [7]. Each increase in the population can produce proportionately less and less food. Diminishing returns are associated with the addition of increasingly poor land to cultivation, when all available land is already cultivated, these diminishing returns make it impossible to increase the food supply at the same geometric progression as the number of people. From Malthus's point of view, the food supply can only increase in arithmetical proportion. Malthus did argue that wages would fluctuate around the subsistence minimum, because below the subsistence minimum it leads to hunger and reduced labor supply and wages above the subsistence level lead to an increase in population and the supply of labor [13].

The classics noted that in conditions of liberalization of the economy and the labor market, the balance of supply and demand leads to full employment of the population, therefore, the demand and supply of labor are always in equilibrium, ensured by wages. According to the classics, the norm of a market economy is full employment and the best economic policy is a policy of non-intervention by the government. Adherents of this concept believe that the labor market, like all other markets, operates on the basis of price equilibrium, that is, the main market regulator is price - in this case of labor force (wages). D. Ricardo determined the relationship between wages and labor supply (as the first increases, the second also increases). If a country is experiencing economic growth and high employment, wages can significantly exceed the cost of labor, which allows workers to significantly improve their financial situation. During a period of economic downturn, wages may fall below the cost of labor, which causes the consumption of previously accumulated reserves and a deterioration in the quality of life of workers. The price of labor responds flexibly to market needs, decreasing or increasing in proportion to changes in supply and demand [12].

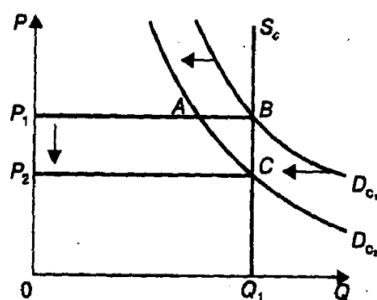


Figure 1. Supply and demand in classical employment theory. S_c - aggregate supply;
 D_c - aggregate demand; P - price; Q - is the real production volume

Source: [9]

According to classical theory, aggregate demand is usually stable, but if it fell, as shown in Figure 1, from D_{c1} to D_{c2} , then the price would quickly drop from P_1 to P_2 . As a result, the temporary excess supply of AB is eliminated and full employment is restored at point C .

4. Labor productivity

The impact of economic growth on productive employment depends not only on economic growth but also on how effectively it influences the creation of productive jobs. The latter, in addition, depends on a number of factors such as the sectoral structure of growth and the capital intensity (labor intensity) of growth within individual sectors. Traditionally, it is necessary not only to increase the number of jobs, but also to increase labor productivity and at the same time the level of income from employment. The Ministries of Labor in the various countries are developing new approaches to employment because of the insufficient legislative framework to regulate the market, with the influx of young labor, requiring the appropriate number and quality of jobs. In order to resolve the identified problems, liberalization of the labor market means the recognition of all forms of flexible employment, including platform employment. Platform employment is a flexible format of the labor market that involves the use of an online platform (digital platform) as an intermediary between service providers (work performers) and consumers (clients) - aggregators of taxis and courier work (in particular, the delivery of groceries and prepared food), advertisement sites for the provision of various household services (construction and repair work, car repairs, cosmetic services, care for the elderly, cleaning etc.) [1].

The Swiss economy is highly developed due to its liberal economic system. A flexible, open labor market is one of Switzerland's most important advantages because it provides significantly higher levels of employment than many other countries. Personnel leasing (a form of outsourcing that allows a company's business processes to be supplied with the necessary labor resources using the services of an external organization) is a key part of this, as for many people it serves as a stepping stone to full-time employment, while others use it as a flexible structure that they can control. Salaries and working conditions are more than consistent with

permanent employment. International statistics also show that the higher the level of personnel leasing in a country, the smaller the informal economy. The unemployment rate is very low and in general, social-labor relations rarely become escalated. The agreement on “Labor Peace” between trade unions and employers in the engineering industry, approved in 1937, laid the basis for the peaceful resolution of labor conflicts [10].

5. Marxism

The consumption of labor force in the labor market in Marxist political economy is a manifestation of the labor process itself. The buyer of labor force, forcing its seller to work, consumes labor force. As a result, the seller of labor force becomes a worker (working abilities as the property of workers is a commodity), while before this it was only of a potential nature (labor force turns into capital in the hands of its buyer, the capitalist, labor force is sold on the labor market - ability to work, which is exploited by the employer) [3, pp.182-199].

Obviously, there are different market economies: slave, feudal and capitalist. It all depends on the conditions under which the products for exchange are produced. Capitalism differs from all other market systems, it turns into a commodity the main element of production - labor force (labor is a special commodity because the work cannot be separated from the person who performs it) [4, pp.17-24]. Unlike other socio-economic systems, modern society consists of two main components - the owners of the means of production and hired workers who sell their labor to the owners. Therefore, the use of the term “capitalism” in this case is quite justified.

In enterprises that use more modern technology, as well as improvements in technology with constant growth in productivity and quality of work, there is an excess value (created by the unpaid labor of a hired worker over and above the value of its labor force, appropriated by the capitalist). The value or benefit of labor as a commodity is the fact that, in the course of work, labor creates a new value that is usually higher than the worker’s wages. Marx called this phenomenon surplus value, which is the basis for the formation of profit [10]. Based on Hegel, K. Marx established that labor is not only expressed by the activity of creativity and personality formation, but also by a means of survival. Capitalism as a system of private ownership of the means of production deprives people of this most important source of self-worth; the products of their labor are sold for profit. Much of this conception relates to the phenomenology of work and the worker: whether we accept work as a metaphysical category, it is clear that for most people work is a fundamental aspect of their subjectivity, with the obvious exception of those who, due to accumulated wealth and position, are not engaged in work activities at all. However, labor is a process of objectification, it is an activity that literally gives the material form. Such a «productivist» model proves that work determines the nature of what it means to be human (metaphysical explanation). Today, after successive waves of post-industrialism, the productivist model of labor has been questioned as outdated and misunderstanding of the new

immaterial forms of labor that are beginning to dominate the current world. New research shows that the labor force is involved in the production process in more subtle ways, emphasizing the cultural processes of forming the creativity of the worker, forming a broader shift related to globalization, knowledge economy and the movement of people across national borders and frontiers. The development of human skills can be imagined as the production of basic capital that is the human himself. K. Marx emphasized that complex labor requiring high qualifications should have a higher cost than simple labor, since its formation also requires higher expenses and is materialized in relatively high costs.

6. Monetarist model

The monetarist model (M. Friedman, F. Machlup, L. Robbins etc.) of regulation of the labor market and labor force is based on the provisions of classical economic theory and explains the possibility of achieving macroeconomic stability and long-term equilibrium only through completely free competitive markets - flexible prices and wages without government intervention, monopolies or trade unions. According to monetarists, vacancies arise as a result of changes in the demand for labor with the introduction of new technology, which requires new knowledge, professions, higher qualifications and improved quality of the labor force. While the employer is looking for the necessary workers, unemployment persists; for this reason, the core position of monetarist theory is the need for a “natural” level of unemployment. Monetarists criticize the implementation of state social policy, which is aimed at regulating the labor market; they note that supporting the unemployed only increases the unemployment rate. They also point out that trade unions only create obstacles to the market mechanism of self-regulation. For example, support by trade unions of workers’ demands for higher wages forces entrepreneurs to reduce the level of industrial investment and therefore the number of new jobs; accordingly, the unemployment rate begins to exceed the “natural rate” and unemployment turns into forced unemployment [8].

A number of Western scientists of the 19th century, who belong to the scientific schools of marginalism and bourgeois liberalism, explored a human as a part of fixed capital. At first glance, this demonstrated the widespread view of that period on labor force as an appendage of a machine and on slave nature of the labor process itself. The Scottish economist John R. McCulloch wrote in 1830 that every individual who reached adulthood should be regarded as a machine that required twenty years of careful care and considerable investment of capital. If an additional sum is expended to qualify a person for work, the value of the worker increases, just as the value of a machine increases when additional capital is expended to increase its productivity. In contrast, this facilitated and made understandable the approach of capitalized estimation of labor as a factor of production [11].

7. Industrial revolution

The systematic development of human resources management began with the Industrial Revolution, which began in the 1850s in Western Europe and in the United States. The Industrial Revolution was essentially about the development of machines, the use of mechanical energy in production processes and as a result, the concept of a factory with a large workforce working together. The factory system replaced the old cottage system. The Industrial Revolution brought a lot of changes such as centralized workplaces with large numbers of workers working together, mechanized production process, migration of workers from their places of origin and indirect contact between factory owners and workers. To manage people in the factory system of the Industrial Revolution, three human resource management systems were developed: recruiting workers, training workers and controlling workers. However, the basic philosophy of employee management revolved around the master-servant relationship.

At the end of the 19th century, in the developed countries of capitalism of the United States and Europe, a new position began to appear in the workplace - "social workers". In various literature, the creation of this position is seen as a reaction to the severity of working conditions in industry, the development of trade unions and the development of the labor movement. Against the background of the development of capitalism, social tensions have arisen because employers have not applied benefits to employees, also because of the harsh working conditions - especially in enterprises where women and children have been employed. Demographic changes during the First World War opened new pages of management development. As the number of men preparing to participate in the war increased at this time, the workload at enterprises also increased, which naturally increased the need for female labor. The process of replacing male labor with female labor was carried out gradually with the consent of trade unions the essence of the problem is the increasing need to hire unskilled women instead of qualified craftsmen and specialists and reducing the quality of the workforce. It became necessary to apply women's work to tasks requiring men's work and the productivity of workers in jobs with difficult working regimes declined. And so, soon after the emergence of the factory system, workers began to organize based on common interests, forming worker associations that later became known as trade unions. The main objectives of these associations were to protect the interests of their members and solve their problems, which arose primarily due to the use of child labor, long working hours and poor working conditions. Later, other aspects of work, such as economic problems and wages, benefits and services for employees, etc. also became problems. Trade unions used tactics such as strikes, growth slowdown, boycotts, etc. Their activities forced owners and managers to adopt employee grievance systems, arbitration as a means of resolving conflicts between owners/managers and employees, disciplinary practices, expansion of employee benefits programmes, vacation leave, clear job functions, rational and reasonable salary structures [5].

8. Social responsibility era

Consequently, after this comes the era of social responsibility and the possibility of a liberal labor market opens up: after the Second World War, factory owners began to take a more humanistic and paternalistic approach to workers. The paternalistic approach to labor management is based on the philosophy that labor is like a child and the owner is like a father and the owner should take care of his labor as a father takes care of his children. Those industrialists who adopted the paternalistic approach offered a number of concessions and benefits to the labor force, such as reduction in the number of working hours, improvement of working conditions, etc. All these practices led to the development of the welfare aspect of labor management. Many critics of the paternalistic approach believed that this approach was adopted to overcome the problems created by the trade union movement, as many trade unions sprang up and often disrupted work. Employers noticed that workers were out of their control, and to solve this problem, they introduced a welfare program. So it was more of a compulsion than a philosophy. There was a replacement of traditional management by science (Taylorism), creation of harmony, avoidance of conflict, cooperation rather than individualism (human relations school) and development of every individual. Scientific methods of management related to the management of employees are functional skills, standardization and simplification of labor, differentiated piecework system. In the past, the employer regularly exploited workers to obtain more products. On this basis, since the beginning of the 19th century, conflicts had occurred between workers and employers. During this period, government intervention was in the minority, which created the basis for the failure to take measures on labor protection. In the 20th century, as a result of increased attention to the protection of workers' rights, the creation of organizations protecting the rights of workers, labor protection measures in enterprises and organizations began to gain influence. Capitalists also came to the conclusion that to increase productivity, it's important to take care not only of the physical conditions of the workplace, but also of human relationships. Consequently, the field of workforce management included the concepts of social system, informal organization and group influence. With the growing competition for market share, resources, including human talent and the growing knowledge of human resource management, people were treated not just as physiological beings, but as socio-psychological, as a major source of organizational efficiency and large organizations to change to reflect modern perspectives.

Today, effective leaders tend to be emotionally intelligent. In the workplace, it is important for leaders to be self-aware and to look at everything objectively. This means understanding their strengths and weaknesses and acting in a way that is balanced with empathy: employees who feel valued at work are not only happier, but also more productive. Company founders and CEOs regularly emphasize the importance of developing a productive corporate culture, but too often they do overlook one critical priority: recognizing employees for their hard work and unique contributions to the team that ultimately influences the creation

of an effective corporate culture which meets the challenges of a liberal society and labor market.

Conclusion. In the modern world, daily changing work regimes, working conditions and the rapid development of technological progress have put measures implemented to protect the health and safety of workers on the agenda. Today, the importance of the human factor is evident in all workplaces; labor protection measures are developing every day. Recently, a new type of employee behavior has been observed in developed countries, where employees work hard, receive high salaries, take responsibility for income and losses, organize business meetings in their free time, go on business trips quite often and rarely use vacation days. Many employees are passionate about their work; the main motivation factor here, in addition to high salaries, is the opportunity to overcome difficulties, the joy of achieving high results and the opportunity to prove themselves. The growth of such business activity is associated with the state of modern society with competitive tension, risks characterized by the development of communications and the expansion of companies. Although this mode of work brings satisfaction, it also carries with it a certain danger, as it has a negative impact on the health and personal life of employees. And if today's intense work activity is perceived as an advantage, then over time this factor can turn into a disadvantage. Therefore, to prevent problems, managers must consider and promote the right behavior in their company [5].

References

1. Loktyukhina N. (2023), Platform employment - how does the developing trend affect workers and employers? INTERCOMM editorial office. Update Media LLC. <https://intercomm.media/explore/platformennaya-zanyatost-kak-razvivayushhijsya-trend-otrazhaetsya-na-rabotnikah-i-rabotodatelyah>
2. Malthus T.R. (1976), An Essay on the Principle of Population: Text, Sources and Background Criticism. New York: Norton, University of Wisconsin-Madison, 260.
3. Marx K. (1978), Capital. Criticism of political economy, Vol.1. Moscow: Politizdat, 797.
4. Marx K. (1978), Capital. Criticism of political economy, Vol.1, Moscow: Politizdat, 907.
5. Manashree C. Evolution of Human Resource Management (HRM). Economics Discussion online platform to help students to discuss anything and everything about Economics. <https://www.economicdiscussion.net/human-resource-management/evolution-of-human-resource-management-hrm/31460>
6. Nurmeev Yu.R. (2008), Ideological foundations and basic principles of liberalism. Scientific notes of the Kazan State University. Humanities, Vol.150. https://kpfu.ru/portal/docs/F2018809324/150_7_gum_16.pdf
7. Klyukin P.N. (2016), Smith A. Research on the nature and causes of the wealth of nations. Eksmo Publishing House LLC. <https://mybook.ru/author/adam-smit/issledovanie-o-prirode-i-prichinah-bogatstva-nar-3/read/>

8. Pavlovich K.K., Pavlovna O.K., Gorbunova O.N. (2015), Processes of labor market regulation. Journal Socio-economic phenomena and processes, series "Economic Sciences". <https://cyberleninka.ru/article/n/protsessy-regulirovaniya-rynka-truda>
9. Samuelson P. (1997), Economics. Vol.I. Moscow: BINOM, Laboratory of Basic Knowledge, 800. <http://www.bibliotekar.ru/economika-8/192.htm>
10. Swiss Embassy in Moscow. About Switzerland, Economics. International Russian-Swiss Center, access date 2024. <http://swiss-ce.rsuh.ru/switzerland/economy/>
11. Viktorovna L.P. (2014), Review of key concepts of the functioning of the labor market. Bulletin of the Taganrog Institute named after A.P. Chekhov, series Economics and Business. <https://cyberleninka.ru/article/n/obzor-klyuchevyh-kontseptsiy-funktsionirovaniya-rynka-truda>
12. Viktorovna E.K. (2020), The role of man in social production: Views on human capital before Becker and Schultz. Journal Azimuth of Scientific Research: Economics and Management, series Economics and Business. <https://cyberleninka.ru/article/n/rol-cheloveka-v-obschestvennom-proizvodstve-vzglyady-na-chelovecheskiy-kapital-dobekkera-i-shultsa>
13. Block W. (2008), Labor economics from a free market perspective. World Scientific Publishing Company, 35-37.