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## **TO THE QUESTION ABOUT THE FEATURES OF THE LABOR MARKET IN THE TRANSITIONAL ECONOMY**

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### **Abstract:**

There is a transitional economy in post socialistic countries today including Russia. The economic model of transitional labour markets corresponds to this special type of economic systems. By now, modern Russia has already completed the transition period of its socio-economic development, from the command economy to a market economy. Consequently, transitional labor markets, which are an integral part of the transition economy, must become part of the past reality. Therefore, transitional labor markets have completed their existence, and now they are formed as full-fledged labor markets, reflecting the status of a market economy in Russia.

**Keywords:** Transitional Labour Market, Divergence of Labour Market, Diffusion of Market Institutions.

### **I. INTRODUCTION**

One of the typical models of the labor market in the modern world economy is the model of the emerging labor market in a transitive or transitional economy. "In a transition economy, institutional reforms are an important part of the socio-economic reforms carried out in the country and the basic condition for ensuring their effectiveness". The transitive model reflects the features of the economic institution of the labor market at the stage of the formation of market relations. Because of this, the basic principle of its functioning is the contradictory interaction of inertia of old institutional forms and qualitatively new changes in the content of labor relations.

To date, a transitive model of the labor market has developed in countries with a former socialist (command-administrative) economy. These are the countries of Central and Eastern Europe, Belarus and Ukraine, the Russian Federation, Kazakhstan, and the countries of Central Asia: Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan. Obviously, this is a very broad geographically significant economic resource with a large resource potential, including the national economies of the above-mentioned countries.

The substantive patterns of the transitive model are determined not so much by the reform of the economic employment policy and labor market regulation methods, but rather by the transformation of all the components of the social and labor system. The destruction of the stability of old institutional forms and the instability of new forms endow the transitive model of the labor market with a known instability; thus the pos-

sibilities of its multivariate development are laid. The specificity of the labor market model in a country with a transitive economy depends on the choice of a general model for the development of the national economy, the degree of adherence to the existing world analogues, the diversity of specific features in the sphere of labor relations that determine the formation of its own original type of market. The assistance or resistance in the movement of the formation of labor market relations in one direction or another is determined by the potential of the chosen option, real social and economic opportunities, the power of inertia of the past (the influence of institutions), the support or opposition of non-economic factors and even the social ratio political forces in the country, etc. The basic principle of the functioning of the transitive model of the labor market reflects the contradictory interaction of old forms of planned employment and new market changes in the system of labor relations. The form of resolving this contradiction is overcoming the stable but gradually dying features of the planned system of distribution of labor resources by increasing the presence of qualitatively new elements of market relations.

## II. METHODOLOGY

The aim of the study is theoretical and methodological analysis and empirical study of the essence, problems, quantitative and qualitative characteristics of the labor market to characterize the prospects for its development within the transition economy.

The subject of the study are the factors that influence the specifics, problems and the state of the labor market in a transitional economy in the country and in the region.

The theoretical and methodological basis for the study was the work of Russian scientists in such branches of social knowledge as the labor market economy. The model of comprehensive research is based on a systematic approach. Of particular importance for the definition of the methodology of this work is the concept of organizing the management of the labor market and the application of effective recruitment technologies, developed in the studies of L.P. Kiyan and others.

## III. RESULTS

Elements of the non-market system in a transitive economy are manifested in the presence of non-market regulators in the labor market, the preservation of non-economic coercion to work, the old principles of organization and payment of labor, the stereotypes of labor behavior, adequate for non-market relations, the outdated vocational qualification structure of employment and formal complex training and retraining of personnel, weak mobility of the workforce as a whole.

The situation of wage workers in a transitional economy, which is in the process of transition from a planned (state-guaranteed) employment system to a market system, proves difficult. They are more disunited and disenfranchised towards their employer than this can be observed even in a real market economy. Their labor services, as a rule, are sold at prices below equilibrium in the official labor market. The development of market elements in the transitive model finds expression in the development of the legislative foundations of the labor market, the appearance of various forms of employment, the creation of infrastructure elements, the emergence of methods and means of market regulation, etc. The employment, formed by recruitment plans, real demand for labor. Legislative registration received such phenomena as unemployment and temporary unemployment. Transformation of the traditional turnover of staff in voluntary unemployment or subjective unemployment, the emergence of its forced forms, discourage the discrete nature of employment, and the search for paid work is a type of economic activity of the population.

With the emergence of institutions of private and collective entrepreneurship, the opportunities for choosing conditions for the use of labor are expanding. Competitive beginnings are emerging (in the form of competition for jobs or highly qualified personnel). Transformations also affect the social aspect of labor relations, since institutions for labor mediation, social support for the unemployed are being created, special programs to promote employment are beginning to operate, career counseling and psychological assistance to

the unemployed are developing. The nature of labor relations in the transitive model of the labor market is due to technologically backward production, which is characterized by extensive involvement of the labor force and a low level of actual utilization of labor resources, which forms a backward structure of employment with a low skill inherent in it. The state of production and unfavorable social and industrial working conditions do not provide opportunities for the realization of the educational and qualification potential of the workforce, they focus on low intensity and productivity of labor, indifference to low-value labor. The general trend of production degradation is opposed by elements of modern labor-attraction technologies that form labor relations of a different type-with the predominance of time-based payment, incentives for improving the quality of the workforce. As a result, the differentiated production conditions determine the diversity of the structure of labor relations.

Another reason for the existence of a transitive model of the labor market is the established social traditions inherent in the parties to labor relations. For a long time, countries with a command and administrative economic system were characterized by a traditionally high degree of collectivism, including labor (group solidarity and labor enthusiasm, mutual support of working colleagues, comradely mutual assistance, etc.). This component, as an expression of the national character, must not only be ignored, but maintained in forms compatible with the processes of development of the labor market institution (preservation of the traditions of social and collective labor, support of collective economic interests, etc.). A specific feature of the transitive model of the labor market is due to the totalitarian role of the state in regulating the labor sphere and the existence of such a phenomenon as "paternalism." The mentality that was formed in the socialist social system was combined with the responsibility of the state for the material and spiritual well-being of citizens. It was possible to work only by including in the national system of labor relations, in which wages were fixed in the amount determined by the state plan. In turn, the functions of state-owned enterprises met the social needs of direct production (safety and health, training, etc.), as well as workers and their families (construction and maintenance of housing, children's, medical, health institutions, etc.). The disintegration of this life support system resulted in the loss of habitual life guides, which had a negative impact on the world of work, which was reflected in the decline in the quality of the workforce, the deterioration of the health of workers and their families. Decades of work on obsolete and worn out equipment with poor work organization, asynchronous work schedule, pay regardless of education, qualifications and quality of labor services, in the absence of competition for jobs, have formed the corresponding type of employees whose behavior is poorly consistent with the market transformations. The state's departure from paternalism in the labor market (job security in the form of the constitutional right to work), from purposeful regulation of the sphere of labor relations is replaced by the processes of spontaneous adaptation of the population to the new economic conditions. They manifest themselves in the form of inefficient work, additional employment, the extraction of income from unemployment benefits, side occupations and subsidiary farming, the expansion of employment in the shadow economy, and the growth of marginal unemployment. The interaction of the main labor market subjects in the transitive model is based on the opposition of pursuing social partners, which is a direct consequence of the transformation of the former state-bureaucratic property.

The lack of clear guidelines in the economic policy pursued by the state and the rejection of guaranteed employment, the concentration of most property and property rights in the hands of the administration and state officials, the legalization of criminal property and the secret growth of private property on the basis of the initial accumulation of capital have led to a redistribution of power that determines the goals and employment strategy. The implementation of privatization policy, accompanied, in addition to legal forms, by the stolen state property, weakened the dominant influence of the state on the labor market, and in combination with the strengthening of the economic crisis in the world economy - and the position of the public sector. Objectively, the state shares the interests of both employers and workers. Therefore, it is called upon to exercise arbitration functions to regulate labor relations. This is due to the fact that on the one hand, the rise in prosperity and the growth of the national income of the country, other things being equal, is ensured by increasing the quantity and quality of labor; on the other hand, smoothing the contradictions in wages prevents the emergence of labor conflicts. In the planned economy, the interests of the state as an employer prevail. The prevalence of these interests is also characteristic of a transitive economy, which, given the deteriorating financial and economic situation in the country, is accompanied by a change in tax and social policies,

and so on. Due to the priority of the tasks of restraining inflation as a basis for the development of investment processes and focusing on economic growth at the expense of private investors, the state in employment policy expresses interest in increasing the growth of wages not stimulating inflation. A confirmation of this thesis is the low share of government spending by developing countries on employment policy in the structure of gross domestic product (GDP) in comparison with the developed countries of the world. The proclaimed market freedom of the owner of labor services in the transitive model of the labor market is illusory enough. The liquidation of social guarantees and insufficient social protection encourage employees to set their own goals to preserve and improve social status and material level, which contradicts the interests of the real owners of the transitive economy - financial and credit institutions that concentrate most of their property rights in their hands. The redistribution of property causes the redistribution of national income. The concentration of financial and credit resources exclusively in the financial markets does not stimulate the growth of investment activity in the real sector of the economy (in production), does not contribute to the increase in the production needs of employers in the labor force and the improvement of its quality. In this regard, the opportunities for the sale of labor services, taking into account the quality of human capital and their adequate assessment, are sharply reduced.

The growing needs of the population and rising prices accompanying inflation, with a low level of pay, are not accompanied by an increase in the demand for more productive labor. The relationship between labor activity and earned labor income for most workers loses practical meaning. "The system of incentives in the labor market is distorted by the active use of non-monetary forms of compensation, as a result of which wages lose the function of the main motivational mechanism". Delays in the payment of wages further undermine the foundations of material incentives, necessitating a review of the attitude to work and expedient activities in general. "As a result, wages not only lost their reproductive and stimulating functions, but also significantly degenerated into a kind of social benefit, which is completely unrelated to real results".

In the conditions of sharp differentiation of labor incomes the incentive of professional debt does not work. There is a drop in the prestige of many public professions (doctor, teacher, policeman, etc.). As a result, the formation of market relations in the employment sector occurs in the absence of an adequate motivational mechanism that supports this process. Some elements of the market motivational mechanism (including both material motives, behavioral norms, labor ethics, etc.) are formed only in certain segments of the labor market (for example, in the market of highly qualified specialists with skills not tied to a particular production). As a specific feature of the transitive model of the labor market, its market parameters are deformed. So, wages are formed under the influence of far from economic choice of buyers and sellers of labor services, and state and corporate institutions that closely interact with each other, which is manifested in a wide scale of price discrimination of labor. The genesis of market relations is accompanied by a sporadic development of the naturalization of wages, equalization of wage arrears. The main factors of competition in the transitive model of the labor market are not the costs and prices of labor services, but the level and scope of corporate power over the market, production and social processes, the acquisition of social status. In addition, it should be noted the combination of corporate competition with the preservation of elements of paternalistic care and clan partnership. Transitive labor market model is characterized by diffusion (Latin *diffusio* - distribution, spreading, dispersion) of its characteristic institutions. The institutional framework of the labor market is not clearly defined, the coordination and interaction of its individual elements are low, the role of legal regulation is low. Following the government course of social protection, the employment service was transformed into an organization whose priority is the fight against unemployment. The programs of employment promotion developed by her emphasize projects in favor of socially unprotected categories, the importance of labor mediation institutions, the tasks of increasing the mobility of the released workforce and its competitiveness in the open labor market. As a result, conditions are developing for the expansion of employment relations unregulated by the labor market in the shadow economy-in the sphere of illegal movement of labor outside tax and other state control, hidden forms of the labor market, and so on. The predominantly spontaneous nature of the development of the labor market, its weak organization in a transitive economy are factors that prevent the labor market from responding elastically to external and internal changes. This prevents the timely elimination of the imbalance of supply and demand due to increased mobility of the workforce, the improvement of its professional and professional structure, the development of

norms for the legal regulation of labor relations. Thus, the main characteristics of the socio-economic conditions that form intra-labor market relationships, suggests that in transitive model reflects the genesis of primitive labor market while preserving features of pre-capitalist relations and deformed market trends. The dependence of the labor market and the social and labor employment system as a whole on changes in production, non-economic factors and the macroeconomic situation a priori determines the subordination of the labor market situation to the policy pursued by the government. As a rule, labor markets developed in the transitive economy do not have legal certainty and socio-economic regulation of labor relations, the quality of which can predetermine the prospects for the transformation process as a whole.

Many market transformations are either only declared or not completed. Their ability, pace, scope and modalities are determined not substance transient needs of the creation of the labor market, and are set based on the understanding of the problems of employment managers at all levels, the course of the political struggle in society, which allow to predict the prospects of future development options. In the conditions of active export of capital and reduction of sources of investment crediting of production, social and labor policy measures aimed at developing and implementing mechanisms that facilitated institutional changes in ownership and structural changes in the economy came on the offensive on labor incomes and redistribution of national income in favor of the largest monopolies, arisen during privatization. These trends block the deepening of market changes in employment. The absence of targets in the labor market policy makes it difficult to assign, select means and actions in the process of its formation, which leads to a lagging behind the objective needs of the development of market elements as manifestations of the laws of market relations in employment. The government lost the monitoring of the situation in the social and labor sphere, limited to occasional campaigns renditions of wages, raising taxes on unregistered businesses, leaving outside the public interest such problems of the labor market, as employment in the informal economy, the criminal and illegal business, which become norms of economic activity.

Delay the necessary political decisions, their adoption under the influence of economic necessity, reflects not only the inconsistency of reform steps, but is a consequence of the impact of various sectorial and regional economic communities, political groups, the aggravation of contradictions between them may complicate the process of further development of the labor market. The social bloc in government structures (ministries of labor, social protection agencies, migration services and employment services, etc.) has virtually no capacity to directly influence the scale of employment and unemployment. Its prerogatives include only regulatory support and operational regulation of specific processes in the labor market. In general, the influence of exogenous labor market factors on the part of their political component does not correspond to the goals and requirements of its formation as an element of the social and labor system. Insufficiency of development is confirmed from the position of the conditions for the formation of the market: the creation of a multitude of actors expressing demand and supply is not accompanied by their independence; the behavior of economic entities has no market motivation; the degree of their potential mobility is low; paternalism in social relations hampers the development of competitive principles of the labor market. The labor market has developed in transitive economy is not able to fully perform its attributive function and therefore acts as a deformed microeconomic system with a low threshold of reliability, which results in the creation of a fundamentally non-homogeneous, non-equilibrium in its state of the market, with the inevitable distortions (see the table 1) which predetermines the instability of the labor market system. Since the labor market is in the stage of its institutional development, the links of continuity in its system are more stable. The changes that are taking place do not find enough supporters, and because of the loss of stable employment and lack of motivation, they are accompanied by passive resistance. Hence, according to the created conditions of functioning and its internal properties, the transitive state of the labor market should be characterized as a low-efficiency system. The increase in efficiency is possible in connection with the programmatic development of the labor market system. The effective work of labor markets presupposes the systematic nature of their formation, which includes the definition of strategic development goals, the resources needed to achieve them, and policies aimed at the formation and use of these resources through tactical means. These elements, arranged by the procedures of social technology, enable the managing structures to carry out purposeful activities to form integrated components of the labor market. To make the process of forming the labor market in a transitive economy dynamic:



1. Economic conditions in which the dominant motive of the owners' behavior will be the development of production and the improvement of quality and labor productivity, which in turn is based on the ability of production structures to dynamics and adaptation;

2. Political conditions in which the organizationally organized coalition of supporters of structural changes in the sphere of employment will carry out the necessary reform (labor remuneration, etc.). In our opinion, the main content of the historical process of the formation and development of the labor market in a transitive economy is the creation of structural changes that lead to the transformation of labor relations, the reform of economic policies and methods for regulating the income of the population.

Table 1. Disproportions of the transitive labor market model

INCOMPATIBILITY IN THE LOCATION OF PARTS OF THE LABOR MARKET	DESCRIPTION OF THE PHENOMENON	CAUSES OF THE PHENOMENON
1. The gap between the demand and supply of skilled workers in quantitative and qualitative terms.	Insufficient supply of workers in construction specialties, drivers of vehicles and installations, workers in housing and communal services and light industry.	In the structure of the economy, the leading positions are occupied by the branches of machine building, chemical industry, and electric power industry.
2. The gap between the demand and supply of specialists in the agro-industrial complex.	Insufficient supply of such specialists, as agronomists, machine operators, livestock breeders, veterinarians.	The underdevelopment of the socio-cultural sphere in the countryside (in any case, its lagging behind the city); low pay.
3. An overabundance of specialists in the financial, economic and legal fields.	Insufficient demand for economists, including accountants, financiers, and lawyers.	The popularization of higher education disrupts the balance of training of specialists at various levels of education: overproduction of specialists with higher professional education.
4. Increased tax burden on the able-bodied population.	Dynamics of the ratio of able-bodied and disabled people.	Negative demographic trends; when external imbalance is met (attracting migrants), the qualitative inconsistency of education levels.
5. Youth unemployment.	The labor market requires professionals with experience and experience of 3 to 5 years.	Low competitiveness of graduates of most universities; The labor market is characterized by an excessive supply of highly qualified specialists.
6. Rural unemployment.	Territorial discrepancy between the volume of vacancies and supply of labor.	Underdevelopment of the regional economy and infrastructure in rural areas; absence of vacant jobs.

#### IV. CONCLUSION

Thus, the consequence of the specifics of the transitive economy is the emergence of a special model of the labor market, characteristic of the developing countries of the world. Indeed, the labor markets of developed and developing countries are quite seriously different in terms of the level of development of competition, the level of wages as the prices of labor (labor services) and are divided into different segments,

sharply differentiated by basic parameters.

Transitive labor markets can deviate to a different degree from the matrix (in Latin, matrix means: a sample, a template, a basis) of developed labor markets, for example, Western European countries.

"The modified content of the labor market is manifested in its new characteristics of behavior and properties". In this case, there is a divergence phenomenon (from the Latin *divergo* - deviate) of the labor market, that is, the divergence of certain features and properties in this economic institution in the course of evolution.

In order not to deviate from the trunk vector of the development of civilization and form full-fledged labor markets, to increase the public prestige of labor, it is necessary to radically change the place of labor market problems in the system of priorities of the state social and economic policy of developing countries, to increase financing for activities related to the solution of the macroeconomic problem of employment and employment of the population.

In this direction, "it is required to eliminate legislative and regulatory gaps in regulating the conjugation of economic opportunities of the state and the realization of the right to work by its citizens". It is also necessary to bring regulatory legal acts, including the Basic Laws (Constitutions) of developing countries in full conformity with international notions of social and economic human rights and take into account the documents of the International Labor Organization (ILO), regulating market processes in sphere of labor and employment of the population.

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