

## **The Labor Market and its Regulation by the State Regulation**

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### **Abstract**

In the Republic of Uzbekistan, information is being provided about the labor market and its regulation by the state and the processes of implementation of the measures developed for their regulation.

**Keywords:** labor market, economic fluctuations, deformation, labor force, unemployment, trade unions.

After the independence of Uzbekistan, the labor market, which ensures the reciprocity of supply and demand, took one of the central places in the policy of step-by-step transition to a socially oriented market economy.

The diversity of forms of ownership in the conditions of the market economy caused a sharp change in the demand for labor. Production and service industries require not only manpower, but also manpower with high education and skills, able to work in modern techniques and technologies, meeting world standards in relationship management.

There are different approaches to the study of the functioning mechanism of the labor market, among these approaches there are also theories that reveal the role of the state in regulating the labor market.

In particular, according to the classics (D. Ricardo, A. Smith, Say, Malthus), unemployment occurs as a result of excessively high wages. When wages increase, the supply of labor increases, while the demand for labor decreases. This rule is a purely economic law that applies to the labor market as it does to all markets.

Including D. Ricardo shows that an increase in wages above the natural level leads to population growth and, as a result, an increase in labor supply.

According to Malthus, higher wages increase fertility and increase labor supply in the labor market. If wages decrease, mortality, morbidity, and other negative conditions will increase. As a result, the spontaneous and conscious decrease in fertility will automatically cause a decrease in the labor supply. Therefore, they show that it is efficient to keep wages low. However, an increase in wages leads to an increase in labor productivity. Through the growth of labor productivity, employment in effective labor is achieved. Here, it is necessary to increase the managerial role of the state without leaving the labor market to operate on the basis of the "invisible hand" rule. The classics deny the role of the state in regulating the economy.

In modern economic theory, there are several other theoretical approaches to the analysis of the functioning of the labor market in addition to the classical concept.

In particular, another concept is put forward by neoclassicists (J. Perry, M. Fedstein, R. Hall). Proponents of this theory mainly continue the ideas put forward by the classics.

They rightly argue that if the labor market is in equilibrium, there can be no unemployment. At the same time, the influence of trade unions, the low level of wages set by the state, and the lack of information are based on the "immaturity" of the market. This theory suggests that unemployment is voluntary and causes market disequilibrium.

Another theoretical approach to the mechanism of the labor market is carried out by the institutional school (for example, J. Dunlop, L. Ulman). They focus on the analysis of occupational and sectoral differences in the workforce and the corresponding wage levels. Here, leaving the macroeconomic analysis, an attempt is made to explain the market through the dynamics of individual sectors, demographic characteristics.

Unlike neoclassicals, Keynesians and monetarists view the labor market as a permanent state of disequilibrium.

In particular, representatives of the school of monetarists (first of all, M. Friedman) suggest the use of money - credit policy to bring the market into balance. According to them, the setting of the minimum wage by the state, the strong influence of trade unions, and the lack of information about vacancies are the factors that increase the imbalance in the labor market.

In the Keynesian model, the demand for labor is not regulated by fluctuations in the market price of labor, but by aggregate demand, and in other cases by the volume of production. Keynes also does not deny the ideas put forward by the classics that a decrease in wages leads to an increase in employment. However, it shows that the reduction of wages should not be considered as the only means of increasing employment in the labor market. Because wages represent not only the costs of enterprises, but also the income of consumers. When wages fall, businesses spend less on labor, so consumer demand for money also falls.

Keynes considers the "non-interference policy of the state" recommended by the classics to be ineffective.[1] The government proposes to stimulate aggregate demand by reducing taxes on unemployment in the economy.

So, each theory has its own point of view about the mechanism of labor market operation, the causes of unemployment, and there are many positive and advanced aspects of these theories. It is appropriate to rely on the achievements of these general economic theories in increasing the level of employment of the population, preventing unemployment and improving the functioning mechanism of the labor market.

The well-known English economist John Maynard Keynes in his "General Theory of Money, Interest, and Employment" [2] severely criticized the classical theory and set out to prove its fallacies. In the theory of the 19th century and the beginning of the 20th century (now this theory is called the classical theory), it was understood that the market economy can fully (efficiently) use all resources. Certain circumstances—wars, natural disasters, droughts, floods—were believed to derail full-time employment. However, later it was understood that the regulatory mechanisms of the market economy will solve these economic difficulties by themselves (automatically).

Keynes created the first scientific foundation of the modern economic theory of employment, a new way of thinking in finding answers to the issues of labor force, unemployment, and employment in macroeconomics.

The most rigorous aspect of Keynes's theory is that he proved that there is no automatic mechanism that ensures full employment in the market economy. It has been scientifically proven that on a macro scale, the economy can reach equilibrium, but even then some level of unemployment and inflation will persist. Full-time employment is accidental, not legal.

Fluctuations in the economy are not only due to war, natural disaster and similar deformations. He showed that the years of peace are caused by the negative consequences of internal factors.

Keynes began his research by disproving Say's law and establishing the theory of effective demand. In the pre-Keynesian era, the classics accepted Say's Law, according to which supply creates its own demand. Keynes proposed the idea that aggregate demand creates its own supply.

According to the theory of effective demand, a certain quantity of a product (or labor) - the price of the offer - is said to be such an amount of income that this amount is sufficient for the incentive of entrepreneurs to offer this product (or labor).

According to Keynes's economic theory, entrepreneurs produce only the amount of output that can be profitably realized depending on the production potential. If an entrepreneur does not have a market to sell goods and services, neither labor nor equipment will be used, although they may be fully operational.

So, gross costs, total production volume and employment are inextricably linked. They should be solved in a complex way.

According to Keynes's theory, unemployment is inherent to pure capitalism, the existence of unemployment is a natural phenomenon. In order not to waste resources, the state should be actively involved in the economy. This idea also applies to the workforce. Market economy and its mechanisms can efficiently allocate resources. For this, the market structure should be improved, and for the market infrastructure, regulatory documents should be developed that ensure efficiency.

It should be said that Keynesian theory is related to all areas of macroeconomics because labor is used in every area of macroeconomics.

Social and political reforms are being carried out on the basis of the principle of "The state is the main reformer" defined in the concept of transition to a market economy of Uzbekistan.

The labor market regulation policy originates from the program of transition to a socially oriented market economy and is inextricably linked with the priorities of economic reforms.

The main goal of the state policy in the labor market is to create economic, legal and organizational conditions to ensure free work and effective employment of the able-bodied population, taking into account the regional characteristics of the labor supply, as well as social protection of the worker. Based on this, the following main directions of state policy in the labor market can be recognized:

- forming a multi-level economy, creating equal development conditions for all forms of ownership;
- implementing the structural reconstruction of the economy and the redistribution of labor resources with the participation of the state budget, non-governmental structures and public funds;
- arrangement of labor supply and demand with the help of economic and legal factors;
- providing social guarantees to the unemployed - paying unemployment allowances, establishing scholarships for vocational education and retraining, providing financial assistance to some needy unemployed people and their families;
- carrying out special measures for employment of young people, women, disabled people, people who cannot cope with competition in the labor market;
- increase the quality of the labor force, improve the system of professional training, improve the skills of the unemployed population and retrain them;
- development of self-employment and economic activity of the population.

Over the past years, the organizational and legal basis of the mechanisms for regulating the demand and supply of labor force have been formed, opportunities have been created for each citizen to choose the type and field of activity according to his abilities. As a result of the laws and government decisions adopted during this period, as a result of the social orientation of the

reforms, the aggravation of the situation in the labor market and the emergence of mass unemployment were avoided. The situation in the labor market was formed and is developing in connection with the specific directions of social and political reforms.

The first President of our Republic I. A. As Karimov noted, "Today, a modern labor market has been formed in our country - more than 5 million new jobs have been created during the years of independence. More than 70 percent of them correspond to industry and service sectors. It should be noted that especially in cities and rural areas, the household economy, which is organized on the basis of cooperation with large industrial enterprises, which provides employment to women and girls, has begun to develop rapidly".[3]

### **Conclusion:**

The labor market is an important sphere of economic and socio-political life of the society. Summarizing all the approaches aimed at revealing the essence of the labor market, "the labor market is a system of socio-economic relations between buyers and sellers on the basis of the functional ability to work, i.e., the activation of the ability to work" or "the labor market is the sale of labor by an employee, it can be said that it is a system of socio-economic relations related to the employer's purchase and use of it. In this case, there is competition between sellers, between buyers, and between sellers and buyers, in particular, in the competition between sellers to occupy an optimal position, in the competition between buyers to acquire the functional ability of a highly qualified person, in the competition between sellers and buyers. and there is a struggle between these subjects to get a lot of profit. When understanding the essence of the labor market, it is appropriate to use the economic category of "hiring" as its element. This economic category has not found enough place in the labor market theory. Because the "hiring" moment is not taken into account when explaining the mechanism of the labor market. However, "recruitment" is a necessary and very important element of the modern labor market. Hiring is a special economic form of "sale" in the labor market, which ensures the involvement of workers in the production process.

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