

**Date of publication: 12 February, 2018**

**DOI: [10.5281/zenodo.2528866](https://doi.org/10.5281/zenodo.2528866)**

## **Economic Sciences**

# **MODELS OF THE LABOUR MARKET AND THEIR FEATURES IN THE WORLD ECONOMY**

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## **Abstract**

We distinguish several different and basic for the world economy labour market models. These models are as follows, namely: 1. Liberal model of the labour market (Great Britain and the USA); 2. Socially oriented model of the labour market (Germany and Sweden); 3. National-traditional model of the labour market (Japan and South Korea); 4. Transit model of the labour market (countries of the Commonwealth of Independent States (CIS), including Russia, and the countries of Central and Eastern Europe (CEE), former socialist countries).

**Keywords:** Labour Market, Types of Labour Market in a World Economy, Transitional Labour Market.

## **I. INTRODUCTION**

The formation and development of the labour market in the Russian economy is determined not only by its own laws of the market, but also by specific substantive laws that stem from the features of the national model and that space-time continuum within which this model develops. In our opinion, the basis for the study of labour markets can be a historical-typological method.

The typology of labour markets cannot be reduced to the concepts of effective and inefficient, full and incomplete employment. Only the unity and interrelationship of socio-economic, regulatory, managerial, organizational and other characteristics can determine the factors and target direction of the development of the labour market institution in a particular country (economy).

The change in the social forms of labour and managerial activity, which is based on fundamental changes in the object-subject interaction, is what truly determines the specifics of certain types of the market that set all its main parameters. This predetermines the logic of finding the patterns of the Russian labour market, dictated by the subordination of economic features of the general civilization process of development of the market sphere of employment with the laws of the process of genesis of market relations.

## II. METHODOLOGY

According to world experience, various ways of developing a market economy are refracted in the sphere of employment in specific economic models of labour markets. The formation of this or that model is conditioned by the general typology of the market economy, within which the labour market mechanism functions, and depends on the choice of priorities in the national economy, based on the specifics of its socio-economic development and the degree of involvement in the world economy.

Such a methodological approach to the study of labour markets will allow us to assess not only the impact of macroeconomic development on the nature of labour relations, but also to substantiate the opportunities and directions of their development. The predominance of certain features in the model, determined by historical, institutional, national and other conditions, makes it possible to classify the type of relations formed in them into several basic models of the labour market.

1. Liberal model of the labour market (Great Britain and the USA);
2. Socially-oriented model of the labour market (Germany and Sweden);
3. National-traditional model of the labour market (Japan and South Korea);
4. Transit model of the labour market (countries of the Commonwealth of Independent States (CIS), including Russia, and the countries of Central and Eastern Europe (CEE), former socialist countries).

In the first models inherent in countries with developed market economies, the national labour market acts as a link in the international labour market. It is distinguished by the legislative equality of employers and employees; the emphasis on the quality characteristics of the labour force in competition, the payment of labour services is equivalent to their quality, level of education and qualifications, rotation of jobs.

The necessary conditions for the functioning of labour markets in these models are the provision, at the expense of minimal time wages, of a standard of living higher than the subsistence minimum, the development of a system of training and retraining of personnel, and other market structures (in particular, the housing market). At the same time, distinctions between them on basic characteristics are clearly visible. Realizing concrete theoretical models, real labour markets are characterized by sufficient variability, which reflects in their functioning the dynamics of national, political, economic, socio-cultural, ideological development. This is confirmed by the analysis of the most typical models.

## III. RESULTS

1. Liberal model of the labour market (Great Britain and the USA).

This model is a liberal market-capitalist model that assumes the priority role of private property, a market-competitive mechanism, capitalistic motivations, a high level of social and economic differentiation (the classic example of this model is the United States of America). The American labour market was formed as a set of labour and administrative resources that perform various functions in the field of employment. Resources are not only the personnel themselves, but also state programs that finance in the field of training and retraining of personnel, migration movements, social protection of various social strata of society. The current programs are aimed at various social strata of American society and the implementation of specific goals in the field of employment (public spending on these programs is about \$ 300 billion annually in the form of various donations for social support, training and retraining).

The labour market in the USA fixes the differentiation of the main spheres of employment:

1. Low-paid jobs, for which workers with low qualifications are required;
2. Workplaces with high requirements for the qualification of workers and, accordingly, with high wages;
3. Workplaces that provide high wages, with low qualification requirements (work in production shops in the assembly). In the current structure of workplaces, an intensive rotation process is observed, under the influence of which the labour market polarization is formed. There is a redistribution of jobs in favor of more skilled work, while reducing jobs for low-skilled workers.

Annually in the United States, 10-15% of all jobs are updated with a constant increase in the sector of highly skilled labour (50-60% of all vacancies are occupied by managers and specialists).

At the same time, the number of jobs with low skills of employed people is declining, for which labour productivity is low. The number of vacancies with a higher level of requirements for employees is increasing. Every year in the US industry, up to 10% of jobs are reduced and 9% of new jobs are created that require workers of higher qualifications. The reduction in jobs in production is, to some extent, compensated by the creation of new jobs in the service sector (out of 10 million jobs created by the US administration over the past few years, up to 80% are for the service sector). Today, the American model of the labour market does not cope with the growth of the supply of labour, in connection with which the flow of the able-bodied population forced to seek work abroad increases. In the dynamics of the demand for labour, the requirements to the quality of the labour force are increasing, characteristic for both material production, where the proportion of skilled workers is traditionally higher, and for the service sector. This is essential for changing the structure of employment. Indirect evidence of the convergence of the qualifications structures of the two most important spheres of the economy is the narrowing of the gap in the average salary (if in the 1980s the gap between the average weekly wages in industry and services was \$ 80, then in the 1990s it fell 4 times).

The increase in the scale of highly skilled labour in the sphere of non-material production leads to the fact that they cannot occupy the released low-skilled labour, as it was before. The result of the strengthening of the labour market segmentation is the additional difficulties of finding employment for groups of the population who do not have sufficient qualifications. For example, for long-term unemployed, whose level is 45-50% among all the unemployed, or the black population of the country, unemployment rates are three times higher than the national average. The aggravation of employment problems is due to the implementation of a new employers' labour market strategy (reducing labour costs by restraining staff salaries as the main means of increasing product competitiveness). Among the ways to reduce high labour costs, one should note the curtailment of certain social obligations (in particular, medical, pension insurance). Recently, the share of large and medium-sized companies with health insurance of their employees has decreased by 15% and amounted to 75%, while pension insurance companies have decreased from 63% to 57%, in small companies 69% and 20%, respectively. The logical consequence of this policy is lengthening the duration of the working week and overtime hours employed. This trend indicates a deviation from the idea of reducing the duration of working hours as a means of reducing unemployment. Another manifestation of the policy of reducing labour costs and reducing unemployment is the expansion of the labour of partially jammed and temporary workers. 1/3 all created jobs are intended for temporary workers. However, the introduction of flexible forms of employment also does not find unconditional support in modern conditions. There are growing concerns about the loss of incentives for entrepreneurs to invest in the development of human capital due to excessive labour mobility.

As an important trend of the US labour market, we should note the strengthening of the motivational dominance for hired workers in the growth of qualifications, which can be traced both in pay and in the relationship between education and the position of workers in the market. If 20 years ago graduates of higher educational institutions of the USA received 50% more than school leavers did, now this gap exceeded 83.5%. Above all, the unemployment rate among those who did not finish school is half that among school leavers, among those having higher education - no more than 1.5%. Increasing the competitiveness of workers in the labour market is seen as one of the nationwide goals of improving the living standards of Americans, which is reflected in the emerging trend in the increase in public employment policies of its active elements associated with the costs of organizing training and retraining, the selection of jobs, and public funding work places.

The methods used in the American model to contain labour costs, rotate jobs, increase labour market flexibility, and stimulate active government policies show a rejection of macroeconomic stimulation of aggregate demand as a means of expanding employment and are a manifestation of the search for new approaches in employment policy. The development of the American labour market, taking place within the framework of the liberal model, in modern conditions reflects attempts to exit the country from the crisis zone, characterized by a reduction in the number of jobs and rising unemployment.

2. Socially-oriented model of the labour market (Germany and Sweden). It is a social democratic model that assigns the role of the supreme social and economic power to the state (the Swedish model). The model is based on the Institute of Social Insurance. The emergence of the social insurance system in Sweden dates back to the early 20th century. During its existence - especially in the period after the Second

World War - this system has undergone significant modifications. Its main feature is universality. In its orbit is every Swedish citizen, regardless of the occupation, and in many cases and on whether or not this person receives wages. This state of affairs is referred to in Sweden as a "universal social policy". Over the past few decades, the size of social insurance as a whole has increased. However, due to the economic difficulties of recent years, individual rates have been reduced, and in some cases the conditions giving the right to receive benefits have been more rigidly defined. However, the principle of universality remained the same. Now, the social security system in Sweden has entered a phase of rapid change. Parliament approved the law on a new old-age pension system; reforms of disability pensions and benefits to families without a breadwinner are planned.

Organization of social insurance system. State insurance companies take decisions on the allocation of a benefit other than unemployment benefits at the local level. The State Insurance Fund and its regional offices are available in each region. Such cash desks do not have their own funds and accordingly do not take any part in direct financing. Collection of funds for social benefits is carried out through the collection of taxes. The social insurance centres are subordinate to the State Social Insurance Administration ("Riksförserkringvervet"), which has the right to make certain decisions and recommendations. At the governmental level, the Ministry of Social Protection is responsible for legal and budgetary issues related to social insurance. Issues related to unemployment benefits are under the jurisdiction of the Ministry of Labour.

Democratically elected state authorities are delegated huge powers to regulate social and economic life. However, we cannot but admit that the conceptual differences between the social market economy and "Scandinavian socialism" are being eroded in practice. Thus, modern countries have taken a course to build a socially regulated market economy, which underlies the concept of "mixed farming system". The Swedish labour market has a smaller capacity compared to the US market (it has a total of 4.3 million jobs for 8 million people, of which 800-900 thousand are annually released, and the level of rotation of staff is 20% per year). With a high degree of employment of men (86%) and women (81%), the unemployment rate in this labour market averaged in 1961-70. - 1,7%, 1971-80 years. - 2.1%, 1981-90. - 2.5%, in 1991-2000. - 7.5%.

Satisfaction of demand for jobs is ensured in the labour market by a set of measures that in many respects make up the functioning of the Swedish economy. It is based on a wide range of social and economic activities.

1. Ensuring sufficient consumer demand for goods and services;
2. Providing enterprises with an opportunity for profitable work and maintaining competitiveness in the world market for the preservation and increase of jobs within the country;
3. Effective functioning of labour exchanges;
4. Maintaining a balanced proposal (through an advanced system of retraining and stimulating entrepreneurial activity as self-employment) and demand for labour (laws on youth, disabled people);
5. Unemployment Insurance;
6. Containment of inflation;
7. Provision of housing guarantees when moving to a new place of work;
8. Raising awareness of the work community about vacancies.

Social programs within this labour market model characterize relatively high public expenditures, in which up to 70% are directed to means of active protection of the population in the labour market. The cost of employment policies in Sweden is about 2.2-2.7% of GDP against 0.8% in the USA.

In an active employment policy designed to facilitate the rapid inclusion of released workers in labour, measures are dominated by the impact on the structure and qualitative characteristics of the workforce (vocational guidance, vocational training and retraining programs, promotion of labour mobility), the regulation of labour demand by measures to support employment (in including public works programs, job segregation, etc.). For the provision of material assistance to the unemployed, only used financial resources are spent. In achieving social consensus, great importance is attached to collective contractual regulation of wages and the linkage of its growth with an increase in labour productivity, the balance of interests of market actors in the so-called social wage issues. It should also be noted the significant role of trade unions in supporting employment security. Social orientation of labour relations gives this model an attraction from the

standpoint of collectivist mentality and state guarantees of employment. However, at the same time, it reflects an inability to modify production and has less competitiveness compared to the liberal type. In addition, strong social guarantees form the passive behaviour of workers in the labour market. This finds expression, in particular, in the increase in the proportion of the unemployed with long periods of unemployment.

The German model is a model of a social market economy, which is linked to the expansion of competitive principles with the creation of a special social infrastructure that mitigates the shortcomings of the market and capital, with the formation of a multi-layered institutional structure of subjects of social policy. In the German economic model, the state does not set economic goals - this lies in the plane of individual market decisions - but will create reliable legal and social framework conditions for the implementation of the economic initiative. Such framework conditions are embodied in civil society and the social equality of individuals (equality of rights, starting opportunities and legal protection). They actually consist of two main parts: civil and economic law, on the one hand, and a system of measures to maintain a competitive environment, on the other. The most important task of the state is to ensure a balance between market efficiency and social justice. The treatment of the state as a source and defender of the legal norms regulating economic activity and competitive conditions does not go beyond the limits of the Western economic tradition. But the state's understanding of the German model and, in general, the concept of a social market economy differs from the state's understanding of other market models by the idea of a more active state intervention in the economy. The following features characterize the German model, which combines the market with a high degree of state interventionism. First, individual freedom as a condition for the functioning of market mechanisms and decentralized decision-making. In turn, this condition is provided by an active state policy of maintaining competition. Secondly, social equity - the market distribution of income is due to the amount of capital invested or the amount of individual efforts, while the achievement of relative equality requires vigorous social policies. Social policy is based on the search for compromises between groups that have opposite interests, as well as on the direct participation of the state in the provision of social benefits, for example, in housing construction.

Third, anticyclical regulation and stimulation of technological and organizational innovations; implementation of structural policy. Fourthly, the protection and promotion of competition. These features of the German model are derived from the fundamental principles of the social market economy, the first of which is the unity of the market and the state. This is a model of regulated corporate capitalism, in which favourable opportunities for capital accumulation are combined with the active role of state regulation in the areas of programming economic development, structural, investment and foreign economic policy and with the special social significance of the corporate principle. Expanding the functions of the state in modern society while preserving market freedoms, institutions and mechanisms is to a decisive extent due to the increased complexity of the social and economic process. Many of the fundamental problems of today's society can not be effectively addressed by market mechanisms alone. This is primarily the strengthening of the social sphere, which has become one of the most important sources of economic growth. Thus, the level of education, the qualification of the workforce and the state of scientific research directly affect the pace and quality of economic growth, which is confirmed by econometric calculations. A huge impact on the quality of the labour force, on economic development in general, is provided by health care, social security and the state of the environment. The market itself can not create a powerful social sphere, although market mechanisms, especially competition, may have a strong social orientation. Therefore, a socially oriented market economy is aimed at fulfilling both economic and non-economic goals, using a wide range of economic and social policy instruments. In general, these goals can be formulated as follows:

- ensuring economic growth and economic stability;
- social security and social justice;
- promoting competition • ensuring political stability.

In the mixed economy, the economic mechanism undergoes substantial changes. Planned methods of management are further developed within the framework of individual firms in the form of a marketing management system. At the same time, at the macro level, the development of planned methods is connected with the state regulation of the economy. The planned approach is a means of actively adapting to the requirements of the market. As a result, the key tasks of economic development are given a new solution. Thus, the issue of the volume and structure of products is solved on the basis of market research within firms, as well as analysis of priority directions of NTP, the forecast of development of social needs at the macro level. The market forecast allows reducing in advance the output of obsolete goods and passing to

qualitatively new models and types of products. The marketing system of production management makes it possible to bring individual costs of companies producing the bulk of goods of this type to the socially necessary costs even before production begins. State sectorial and national programs (plans) also have a significant impact on the volume and structure of goods and services produced, ensuring their greater compliance with changing public needs. The task of using resources is solved within the framework of large companies based on strategic planning taking into account the most promising sectors. At the same time, the redistribution of resources for the development of the newest branches takes place at the expense of budgetary appropriations, state national and interstate programs; research and development work in the priority areas of the scientific and technological revolution.

Finally, the task of distributing the created gross national product is decided not only based on traditionally established forms, but also supplemented by the allocation of ever greater resources by both large companies and the state for investments in the development of the "human factor".

These activities are financing of education systems, including retraining of workers of various qualification, improvement of medical services for the population, social needs. At least 30-40% of all state budget allocations in developed countries with a market economy are currently channelled into social security, the implementation of numerous "poverty alleviation" programs.

3. National-traditional model of the labour market (Japan and South Korea). A distinctive feature of this model of the labour market is its orientation on the protection of employment, provided that the employees meet certain performance standards, which reflects the commitment to national traditions. For hired workers, high guarantees of stable employment are the main factor in motivating to work and achieving personal success. For employers, an important form of motivation is their ability to fulfil their obligations to employees. The stability of employment also affects the readiness to adapt to changes, since the latter do not associate with the loss of jobs. The mobility of staff in the model is quite high, but it is not horizontal, but vertical. All this requires the interaction of the government, administration and trade unions. The main factors of consolidation between labour and capital are the adoption of decisions on social issues on the basis of consensus, the transfer of solutions of specific social issues to the level of enterprises on the basis of the recommendations of laws and government decrees, the awareness of employees about the problems and incomes of the firm. In the income policy, the formation of the labour strategy is based on the socially oriented concept of labour productivity. It provides for the distribution of income between entrepreneurs and workers, depending on the degree of participation in their education, an annual increase in the base rate, salary based on a collective agreement, weighted differentiation in earnings between employees of different levels, etc. The preference given to the human factor in combination with the workers' confidence in maintaining stable employment about effectiveness to successful progress on the path of productivity growth. Another characteristic feature of the model under consideration is the formation of an employment policy on a planned basis. At the legislative level, long-term and annual employment plans are developed, which serve as guidelines for practical activities at the prefectural level.

The main objectives of these plans are to help stabilize employment when changing economic structure, to respond to changes in employment (such as aging of society, foreign labour inflow, increase in the number of working women, etc.). Particular attention is paid to the promotion of lifelong learning for the development of professional abilities, the reduction of working hours, the expansion of social protection measures for citizens in need of special care. Because of directed economic expansion in Japan, the number of job offers could exceed the number of job seekers. A significant increase in the number of employers in Japan has led to a low percentage of unemployed workers. In these conditions, an increasing number of companies, mainly from small and medium-sized businesses, are experiencing a shortage of workers. Serious problems for the country are the employment of middle-aged and elderly people, as well as the imbalance of supply and demand in various regions of Japan and professional groups. One of the trends is a decrease in the number of jobs for older age groups and an increase in the number of unemployed older workers. Because of the concentration of demand for the labour force of young people, unemployment of the latter does not represent a social problem for this labour market model. The Law on Stabilization of Employment of Senior Citizens covers the middle and older people, according to which 90% of companies use the system to ensure the age limit of employment of workers. As part of promoting employment of older persons, it is possible to resume work, develop part-time employment, etc.

## IV. CONCLUSION

In the current conditions of the aging of society, the importance of acquiring employment and developing the professional abilities of young people. Special measures are aimed at promoting women's employment. The system by which general regulation of the labour market is achieved in this model includes employment centres, training schools for working people, and measures of social assistance for the unemployed.

All these issues are under the jurisdiction of the Ministry of Labour and prefectures, which in their employment and retraining issues operate on their territories independently. The economic entities themselves, that is, enterprises (firms), are engaged in the employment of the liberated workers of large enterprises.

As for the transitional model of the labour market, it generally lacks a generally accepted national concept for the development of the labour market, while in developed economies these concepts exist. For example, the proclamation of a "full employment policy" in the United States, "equal opportunities" and "social partnership" in Sweden and Austria serves as the ideological basis for the employment policies pursued in these countries. Today, employment policies and the fight against unemployment in labour markets are an important part of state policy in all countries of the world, including Russia.

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