

## Social and Labor Relations: International Practice of Regulation

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**Abstract:** This article is considered with the role of the human capital in development of the social and labor relations, history of formation and regulation of the social and labor relations, classification of the social and labor relations by various signs, models and levels of social partnership and also a state role in system of the social and labor relations is shown.

**Key words:** Human capital • Human resources • Labor market • World experience • State policy • Social and labor relations • Social partnership • Models of regulation of the social and labor relations • World experience of development of social partnership • Model of partnership

### INTRODUCTION

The question of a role of work has been considered in economic science for some centuries, however the close attention to it doesn't weaken that can be explained by a specific role of a personal factor which more and more increases in modern information society.

Radical social and economic transformations created new conditions for knowledge of process of work and the labor relations. But taking into account experience of the most developed countries the accent in researches was displaced from a problem of alienation of work in research of economic and social changes in the sphere of the labor relations to studying of problems of the human capital.

Prior to the beginning of the 60th of the XX century creative abilities of the person didn't play a defining role in economic development and the problems concerning formation of labor didn't cause a particular interest in economists. Traditionally it is considered that the labor market has an unlimited stock of working hands and in case of their shortage in any of economy sectors it is necessary to raise salary rates in it providing a labor modulation from other branches and by that to receive demanded number of workers of any qualification. In the world then such tendency gained strength within which

the winner in the XXI century will be not who has more than natural resources or the fixed business assets and who has higher quality of human resources.

The theoretical analysis of the labor relations is submitted in works of classics of the economic theory, founders of Marxist political economy and also in works of founders of the neoclassical, Keynesian and institutional directions of the economic theory. Different theoretical aspects of economic problems of work developed William Petty, P. Boisguillebert, Adam Smith, D. Ricardo, Karl Marx, Fridrich Engels [1], A. Marshall, J. Mill, T. Veblen, J. Commons, J. Keynes.

In W. Petty's work "Political arithmetics" the first attempt to count "the population value" was made. He includes in structure of wealth and its sources not only the earth and a rent brought by it, the capital and profit (percent) on it, but also the people the work of which depending on qualification and health of workers creates them (and the nations) this or that income.

Economists have been interested in creative abilities of the individual for many decades. Economists of the end of the XIX and the beginning of the XX centuries such as J. B. Say, N. Senior, J. Mill, J. McCulloch, I. Fischer considered that the abilities acquired by the person to work should be considered as the capital in its "human"

form. So, in 1870 J. McCulloch clearly defined human beings as the capital: "Instead of understanding the capital as part of production of the industry unusual for the person who could be made applicable for his support and promote production, apparently, there are no reasonable reasons for which the person couldn't be considered as itself and it is a lot of reasons for which he can be considered as formed part of national wealth" [2].

Later this idea found reflection in "Wealth of the people" of Adam Smith, in A.Marshall's "Principles" and in works of many other scientists.

The new stage in development of the labor relations came after World War II, more attention began to be given to a question of quality of a man power, a concept "human capital" appeared. Among the most known researchers of this perspective were G. Becker, D. Bell, John Kenneth Galbraith, A. Maslow, D. Mincer, T.Schultz [3, 4].

The theory of the human capital is relatively young: its formation fell on the 50-60th of the XX century when in the USA the expanded treatment of national wealth connected with a name of T.Schultz who was the author of works on the theory of "the human capital" and investments into the person" [5] began to be formed. They were the investments in education or, using modern terminology, in the non-material national and economic investment complex, that is health care, education, science.

He considered investment in the human capital (in particular, in education) as the only way of overcoming of poverty of the country. T.Schultz estimated time and efforts of pupils as a big half of all expenses in the course of education [6]. He carried out labor estimations of cost, including expenses for education and the "wasted" human time spent for study.

Relevance of studying of the social and labor relations is shown also that change of their role in development of national economy extremely important for modern practice as formation and realization of the human capital, the solution of questions of improvement of quality of life of the population is connected with this concept and at last, formation of the social and labor relations is one of the most important spheres of state regulation. However what has state strategy to be in this sphere for most fully reflection of interests of all participants of the social and labor relations, finally isn't defined that also increases the importance of a considered problem.

Main part. Development of a collective and contractual form of regulation of the social and labor relations in the countries of Europe was promoted by certain historical conditions. They were the lifting of labor movement in Europe under the influence of October revolution of 1917 in Russia, economic consequences of the World Wars I and II, world economic crises, "cold war" and strengthening of socio-political antagonism of classes and social groups after World War II. All these factors in aggregate also made a basis, the base of emergence of a new form of regulation of the social and labor relations that is what the social partnership, as a way of regulation of the social and labor relations between hired workers and employers and also their associations in the course of labor activity is.

It is impossible to tell that collective and contractual regulation of the social and labor relations in Europe developed only because of revolutionary movement in Russia. At the beginning of the XX century the collective and contractual system found official reflection in the legislation of a number of industrialized countries. For the first time collective agreements were provided in the Civil code of Denmark in 1907, then similar norms appeared in the Swiss Code of duties of 1911, Acts for collective agreements were adopted in Norway in 1915. And in Germany and in France the acts regulating the conclusion of collective agreements appeared in 1918 and 1919 respectively, that is after the Russian socialist revolution. The system of collective agreements has essential development in the law of the national labor relations of the USA in 1935.

In the various countries of Europe, Asia and America there is the unique system of regulation of the social and labor relations it is social partnership. The system of social partnership is legislatively fixed in Belgium in 1948, in Germany - in 1952, in Austria - in 1957, in the countries of Northern Europe - in the 70ths, in France - according to the Constitution of 1958 [7].

Synthesis of world experience of development of social partnership allowed to classify models and types of regulation of the social and labor relations by the following signs:

- On a role and a place of power structures, state bodies in system of social partnership;
- On the mechanism of legal regulation of contractual process;
- On extent of participation of workers in business management of the organization;

- On nature of interaction of labor unions with institutes of the government, local government;
- On specifics of relationship of labor unions and associations of employers, businessmen;
- On political orientation of system of social partnership (social democratic, conservative, socialist).

Let's consider classification of the main models of regulation of the social and labor relations.

On a Role and a Place of Power Structures in Partnership Three Main Models Are Allocated.

The first model is tripartite cooperation in which the state, employers and labor unions are equal. It was widely practiced in the 60-80ths of the XX century in Austria, Sweden. It operated mainly on macrolevel. The basis of the labor relations was made by a legal regulation.

The second model is bilateral cooperation in settlement of the conflicts of employers and hired workers in the person of their representative bodies. The state acts as the arbitrator of labor disputes, legislatively regulating the relations. The solution of problems by means of partnership is transferred to production level of the enterprise, association, branch (the USA, Spain, Portugal). The third model is dialogue and cooperation in the conflicts between employers and workers without any intervention from the state (Japan).

By Criterion of Legal Regulation of the Social and Labor Relations it Is Possible to Allocate Three Main Models of Social Partnership.

The first model (countries of Northern Europe – Finland, Sweden, Belgium, Norway, Holland) – is an example of the "tripartizm" realized in acceptance by participants of negotiations of coordinated decisions, the power structures strengthened by representation. It is characterized by active intervention of the state in regulation of the social and labor relations and has three levels of social partnership.

The second model (the USA, Canada, Japan, the majority of the developing countries of Asia, Latin America, the English-speaking countries of Africa) is reduced to collective contractual regulation at the enterprises. Much more rare negotiations and agreements are carried out at regional and branch levels. The organizations of businessmen and labor unions interfere with the social and labor relations indirectly, actively participating in legislative and political activity.

The third model (the countries of the Central Europe – Germany, Austria, France, etc. and also Great Britain). Legal means of social partnership vary from consulting forms of cooperation of social partners till adoption by them of joint decisions, collective agreements and contracts and cover participants from a grassroots level of the enterprises to the national one. As a rule, at national level, tripartite permanent bodies aren't created. However the government periodically holds consultations with national trade-union associations and the unions of businessmen. At this level social partners hold consultations and rarer they adopt national agreements on single questions of social policy.

On level of participation of workers in business management and representation of their interests and the social and labor rights in world practice there were three most characteristic models. They are trade-union representation, pure representation and the mixed representation.

Trade-union representation (USA, Canada, Japan, Poland, Great Britain, Ireland, Italy). According to the law the trade-union organization at the enterprise is considered the representative not only members of labor union, but also all workers who aren't entering into labor union. As a rule, the employer recognizes opinion of these unions and government bodies adopt the laws regulating procedure of negotiations.

Pure representation (Austria, Greece, Spain, Portugal, Germany, Netherlands, etc.). Councils (committees) of the enterprises are the bodies of working representation elected by the collective. On the volume of powers as a rule it is an advisory body on the social problems concerning working hours and holidays, labor protection, development of social actions. In a production and economic field of activity the enterprise council (committee) has the right only to receive the relevant information from the employer. The employer has the right to be limited only to consultations with this body on social problems. The order of such consultations, degree of obligation of the accounting of opinion of council of the enterprise is concretized within collective agreements or special intra firm agreements. The quantitative structure and terms of election of councils (committees) of the enterprises are established in acts.

The mixed representation (Belgium, Denmark, Ireland, France, etc.). The councils (committees) are formed at the enterprises. The representatives of hired workers are elected by labor collective and the representatives of

the employer are appointed by administration. Councils possess larger powers, in comparison with the second model, including participation in the solution of questions of the internal labor schedule, labor protection. Direct cooperation with the employer is provided in a legislative order. This representation provides adoption of joint decisions and is focused on consensus with the employer. In a number of the countries (France, Belgium) the place of the chairman of committee of the enterprise is allocated for the employer or the representative of the employer.

By criterion of relationship of labor unions with the organizations of employers there is a distinction between the "forcible" model which is originally applied in Great Britain and then is traditionally carried out to the USA and the "European" model of partnership subdivided on "German" and "Latin".

Forcible model is the decentralized process of collective negotiations based on protection of economic interests of workers, employers and businessmen at the minimum involvement of public authorities in it.

The "European" model is more centralized level of regulation of the labor relations which purpose is coordination and protection of interests of workers, employers and power structures. Intervention of public authorities and local government in process of the social and labor relations and adoptions of collective agreements are more considerably. It should be noted that this model is applied in Russia.

The "German" model provides that each of the organizations engaged in collective negotiations concludes a lot of industry or sectoral agreements varying from the large enterprises of machine-building branches to extremely small-scale craft productions and the enterprises of a services sector. It was widely adopted in Austria, Holland, Denmark, Belgium, Switzerland, the Scandinavian countries.

"Latin" model of collective negotiations is also branch, but dominant here is the conclusion of local or regional collective agreements that gives businessmen opportunity to influence process of preparation and adoption of the collective agreement directly as the mutual distrust between labor unions and the organizations of businessmen in the countries of "Latin" model is much stronger than in the countries applying the "German" model. Besides, in "Latin" Europe (Italy, France, Spain) quite contrast regional distinctions in working conditions exist. It leads to more active involvement of

power structures in process of collective negotiations. Figuratively speaking power structures "stand behind a door of that room where negotiations are carried on and labor unions use any opportunity to open for them this door as consider that businessmen aren't interested in negotiations" [9]. In "Latin" Europe the parties participating in negotiations often need "pushing" from the state as can't reach the agreement.

With gradual advance of state regulation of economy on the way of market transformations conditions for development of social dialogue and its gradual development (quantitative and qualitative) in social partnership are provided.

The social partnership is at first the relations between social groups, the classes which social and economic interests significantly differ. Each of these social subjects has its own public function. Secondly, it's such relation between social groups where the aim is not combination of interests, but achievement of optimum balance of realization of these interests. Thirdly, this is mutually beneficial interaction between social groups and classes where each party is objectively interested. All this reflects features of social partnership as special type of the public relations [10].

The studied experience of Sweden and Germany confirms the aforesaid. Mass character of representative bodies of workers, development of mechanisms of social partnership provided the maximum socialization of the social and labor relations in these countries.

## **CONCLUSION**

Formation of the new social and labor relations between hired workers and employers in market society put a problem of regulation of the social and labor relations.

Life disproved monetaristic, liberal ideas about "self-regulation" of the social and labor relations in the conditions of the "free" market. The problem of search of definition of the main directions and forms of regulation of the social and labor relations adequate to modern social, economic and political conditions of modern society gained special relevance and sharpness.

Processes of globalization mention many spheres of national economies, including system of the social and labor relations. The governments of many countries realized that to cope with stagnation in economy, to recover reforms it is possible only having changed a state

role on a labor market. Thus it is necessary to proceed from the fundamental thesis that the state in system of the social and labor relations carries out not only an intermediary role between employers and hired workers, but it is the subject of the social and labor relations. Thus the main functions of the state in this quality are, first, upholding of public interests in system of the social and labor relations and, secondly, ensuring social protection of not only vulnerable categories, but also of active part of the population – working people.

According to the principles of social market economy and in the conditions of economy globalization strategic problems of the state consist not only in preservation of old and creation if possible more quantity of new workplaces, but, first of all in creation of effective employment, i.e. such employment which would provide production of competitive production and services. Therefore the emphasis is more and more placed on active policy in the field of employment. It concerns professional retraining and retraining. Continuous education is one of the most important conditions of adaptation of hired workers to prompt restructuring of economy, a major factor of competitiveness of experts on a labor market.

**Conclusion:** Proceeding from the aforesaid, it is represented important to consider the social and labor relations from the point of view of changes in world economy, to study world experience of formation and regulation of the social and labor relations, to reveal the directions of their functioning and to define their place in economic development of the country. The research of the international practice of regulation of the social and labor relations confirms the thesis that the social partnership is one of the most important mechanisms of regulation of the social and labor relations and one of the key forces providing progress in economic development and socialization of the state. World experiment shows that without an accurate state policy in distribution of the national income and participation of workers in production management it is impossible to influence the social and labor relations in country scales.

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