



## **THEORETICAL AND METHODOLOGICAL BASIS OF EMPLOYMENT**

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### **Abstract**

The article deals with the theory of employment, which has come a long way in scientific development and is characterized by a variety of research tools, methods and conceptual approaches.

**Keywords:** Employment, gradual development, labor, labor force.

### **Introduction**

It is well known that employment theory has evolved over a long path of gradual development, and as such, it is characterized by a diversity of research tools, methods, and conceptual approaches. Theoretical perspectives on this issue have been reflected in various scientific schools and directions within the global economic thought. For example, there are new classical schools and approaches, supporters of monetary policy, institutional–sociological approaches, proponents of employment contract theory, and others.

### **Relevance of the Topic**

Thus, using theoretical approaches to employment in training specialists to address existing problems in the employment sector is an important social issue. Employment is a complex problem, and at the same time, one of the main instruments of macroeconomic and social development. This necessitates a deeper theoretical and practical study of employment in countries transitioning to a market economy.

Labor resources and employment are among the key concepts of socio-economic sciences. Employment is one of the three categories of the workforce concept. When discussing employment, it is appropriate first to present some thoughts on the essence and significance of the “employment” category.





## Statement of the Scientific Problem

As noted above, employment, as a socio-economic category, has long been the focus of economists. However, to date, a universally accepted definition of this category has not been found in the scientific literature. John Maynard Keynes' work *The General Theory of Employment, Interest and Money*, first published in February 1936, had a significant impact on the development of economic science and policy. Considered Keynes' greatest work, it introduces the main system and terminology of modern macroeconomics, including concepts such as the "consumption function," "multiplier," "principle of effective demand," "marginal efficiency of capital," and "liquidity preference."

Employment is expressed in wage units and is inversely related to aggregate supply. That is, employment represents the ability to earn income. Unlike classical theory, Keynes argued that labor supply is not real but determined by the monetary value of wages, and employment can be increased by raising overall monetary expenditure. The presence of excess capacity and reserves initially leads to rapid changes in employment levels, price instability, and additional advantages for entrepreneurs with surplus capacity and reserves. Even after full employment is achieved, further increases in monetary expenditure led to inflation without raising employment, while a decrease in effective demand can lead to deflation and a reduction in employment.

Keynes' methodological principles emphasize that the most critical problems of expanded repetitive production should be addressed not from the perspective of resource supply but from the perspective of demand, which ensures the realization of resources.

According to M. Hayes, Keynes did not fully articulate certain ideas in the general theory of employment, as they were based on a paradigm inherited from Marshall and assumed to be shared by his students. In practice, misunderstandings led to significant debates. Hayes suggests that in discussing the general theory, attention should be paid to Keynes' explicit and "implicit" statements. The implicit elements include:

**-Equilibrium:** Employment is in a continuous "daily" equilibrium based on effective demand; equilibrium does not imply full utilization of all production factors or satisfaction of all expected outcomes.

**-Competition:** Competition (both in demand and supply) is the driving force maintaining system equilibrium; market participants consider prices independent of their actions.





**-Money:** Equilibrium reflects not optimal allocation of production factors but decisions of employers, investors, and consumers regarding spending; money is an integral part of the theory, not merely a wrapper.

**-Expectations:** Production, consumption, and investment decisions are based on expectations; effective demand always corresponds to expectations; the future, especially the distant future, is uncertain.

**-Liquidity:** The liquidity of an asset reflects its stability in anticipated changes rather than merely its convertibility into money; money is more liquid than bonds, and both are more liquid than capital equipment.

Russian economist V.G. Kostakov notes that “no definition can be perfect,” but a definition should reveal the most characteristic features of a process. Kostakov defines employment as “a socio-economic process reflecting the utilization of labor from various population groups in socially useful activities across different sectors, including education and individual household activities, based on social division of labor.” Key indicators describing employment include the distribution of workers across economic sectors, social mobilization, and the efficiency of labor utilization.

Russian scholar A.A. Nikiforova defines employment as “the activity of the working-age population in producing social product or national income, viewed from the economic position of society.” Regarding the methodology of forming employment, she notes: “Providing all willing and capable individuals with the opportunity to work ultimately leads to full employment.”

In Uzbekistan, employment issues and labor market development have also been reflected in research. For example, L.P. Maksakova considers the category of “population employment” as “a system of relationships defined by the historical specifics of production methods” and defines employment as “the method by which society realizes its labor potential and each individual member realizes their capacity for labor.” Other scholars interpret employment as activities of citizens that meet personal and social needs, are legal, and generate income.

Despite thousands of studies, in the context of rapid global structural changes, discussions are still needed on how employment and the labor market complement and demand each other as components of a unified macroeconomic system.

## Research Methods

The study examines classical and neoclassical employment theory, analyzing assumptions that might be taken for granted. Comparative analysis and logical approaches were applied to study the economic category of employment through the perspectives of different schools and contemporary economic processes.





## Main Findings

Based on the above, employment can be defined as the process by which members of society capable of working realize their abilities and labor potential in producing social products essential for society and its members. Employment is a crucial sector of socio-economic development, reflecting both economic and social outcomes.

The employment rate, i.e., the proportion of employed to total labor resources, is an important indicator of overall labor activity and varies across countries and regions, reflecting socio-economic development. It measures the quantity and quality of labor utilization, economic conditions, entrepreneurial and financial activity, living standards, and effective demand. Employment directly influences income, social protection, and overall well-being.

Effective employment ensures income sufficient for decent living standards, promoting health, personal development, education, and professional skills.

When discussing employment theoretically, it is more accurate to refer to “labor resource employment” rather than “population employment,” as the concept of “population” is broader. Labor market development, a key element of the market economy, directly affects labor utilization and employment processes. Therefore, studying employment through labor market classification is scientifically and practically appropriate.

Some scholars exclude the employed from the labor market, as in Alfred Marshall’s neoclassical perspective, which treats labor as a market commodity sold by workers. Others argue that the labor market encompasses both employed and unemployed individuals.

It should be noted that the processes of using labor resources are directly influenced by the formation and development of the labor market, which is one of the main elements of a market economy, and introduces significant changes to these processes. Therefore, we believe that it would be more logical from a scientific and practical point of view to study the theoretical foundations of employment through the classification of the labor market. Before classifying the labor market, it is necessary to dwell on the essence of this concept. Various opinions are expressed in the scientific literature about the essence of the labor market. For example, some scholars are in favor of excluding those who are employed from the labor market (one of them is the theory of the founder of the neoclassical school, Alfred Marshall (1842-1924), which represents a departure from the tradition of considering the labor market in economics. Firstly, labor is an object of commodity-money relations, and the market where it is bought and sold is the labor market. Secondly, the hired worker sells his labor as a service, as a commodity, while remaining the owner of his abilities.



A. Marshall repeatedly used the phrase "sale of labor services"), while another group of scholars, on the contrary, expresses the opinion that the scope of the labor market includes both those who are employed and those who are not employed, that is, the unemployed.

M.J. Piore and P.B. Doeringer demonstrated the horizontal segmentation of the labor market, alongside vertical segmentation. The external labor market is defined as the system of relations between employee and employer, governed by formal economic principles of equality of interests. The internal labor market follows administrative rules and structures.

We agree with scholars who broadly define employment as a socio-economic relationship encompassing labor utilization and the issues of labor potential reproduction. Studying structural changes and processes in employment allows for a comprehensive and realistic assessment of labor market conditions.

## **Conclusions**

Employment and the labor market are mutually reinforcing elements of a unified macroeconomic system. The main components of the labor market are labor supply, labor demand, and wage levels. Interpretations of these concepts vary; some specialists consider labor demand only in terms of vacant positions and total unemployed. We support a broader interpretation: labor supply at the national level includes both employed and job seekers (economically active population), and labor demand includes both filled and vacant positions in the economy.

The labor market forms relations between employers, employees, and the state, shaping employment based on labor supply and demand. Regional labor supply reflects local labor potential, while labor demand reflects the aggregate of available jobs in the national economy.

Thus, employment theory allows for comprehensive study and forecasting of labor market processes. In Uzbekistan, labor market characteristics are influenced by economic, social, demographic, and regional factors, including internal, external, and flexible labor market segments, emphasizing workforce mobilization and allocation.

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