

*Kolyadych O.*

PhD, lecturer of faculty,

*Pogorelov S.,*

senior lecturer

*Kyiv National Economic University named  
after V. Hetman,*

**FORMAL AND INFORMAL INSTITUTIONS SPHERE OF SOCIAL-  
LABOUR RELATIONS**

*The problem of limited freedom of relations in social and labor issues and needs of state regulation in the interests of society and its individuals through formal and informal institutions that can complement each other, or to enter into conflict. Implemented study the impact of formal and informal institutions on social and labor relations and market-determined their place in the regulation of the latter.*

**Keywords.** Forms of social control, formal and informal institutions of social and labor relations, formal economic, legal, social, political institutions at the micro, meso and macro levels, institutions, norms, institutions of trust, empathy, freedom, legalism, and responsibility.

**Introduction.** Theoretical analysis shows that in market economies socio-labor relations shall be excepted from the monopoly of a state to determine their content, forms and methods of regulation. Relations as interaction of the subjects of pursuing their interests, should be developed on the basis of their free will. However, the system formation socially-labour relations and their regulation on the principles of expression of the will of employers and employees is an ideal model, which in practice almost never occurs. In his time, trying to ultraliberal reform, R. Reagan and M. Thatcher do have to maintain significant areas of social protection.

**The results of the research work.** There is a kind of riot market, which subordinates all society by their unmanaged laws. «The market is a natural state of the society, and the duty of the elite make him cultural state. In developed societies, and in all others, he turns into the jungle, becomes the law of the strongest, produces stratification and cruelty due to the lack of legal rules». [1, p.29]. Examining the development of the industrial revolution, the same conclusion came K. Polanyi: «self-regulating market is a clean form of implementation of the economic logic presented itself quite frankly, cannot exist, because it does not possess any feature necessary to create a social order.» [2, p. 109]. However, such an unregulated market may disrupt the social order created by him. If, starting from the XIX century, the dominance of the economy are not completely destroyed the society, it is only because she was restricted to two non-market principles of regulation. First of all, market society could settle down, because it was embedded in the social system, where traditional

patronage and organic forms of solidarity were still quite strong: it was predominantly a rural society with strong and extensive kinship and effective network protection from the family. The situation that preceded the onset of the market softened its destructive potential, the full effect of which is felt only disaffiliated, paupered, isolated from the roots of internal immigrants who have entered the labor force first large industrial establishments. Secondly, the answer to such a catastrophe was the creation of new forms of social regulation: social insurance, public property, social rights. It is the «social invention, - as he said R. Kastel - market became home and make capitalism more humane» [3, c.509].

Freedom relations in the social labor sphere is always limited to economic, national, natural and other conditions of functioning in the industrial relations and the necessity of their state regulation in the interests of development of the society and separate individuals [4, p. 24].

In accordance with the institutional theory, regulation of economic relationships occurs through formal and informal institutions. In the regulation of socio-labor relations, formal and informal institutions can complement each other, or in conflict. In particular, formal institutions can be created on the basis of informal institutions that already exist, and informal may occur when the «fault» of formal [5]. Therefore, there arises a necessity basis of impact of the system of formal and informal institutions on social and labor relations of market type, which will determine their place in the regulation of the latter.

Therefore, the modern market space, it is expedient to select groups of *formal and informal institutions*.

Formal institutions directly affect the regulation of socio-labor relations (economic, legal, social, political) at the micro-, meso -, and macro-economic levels. In the scientific literature formal economic institutions are examined in the context of property rights, since they establish the right of ownership, that is, the bundle of rights on the use and income from property and exclusion of others from the use of property or resources» [6, p.68].

Formal institutions that exist in the modern conditions, it is possible to present as a system and schematically as follows (figure 1.):

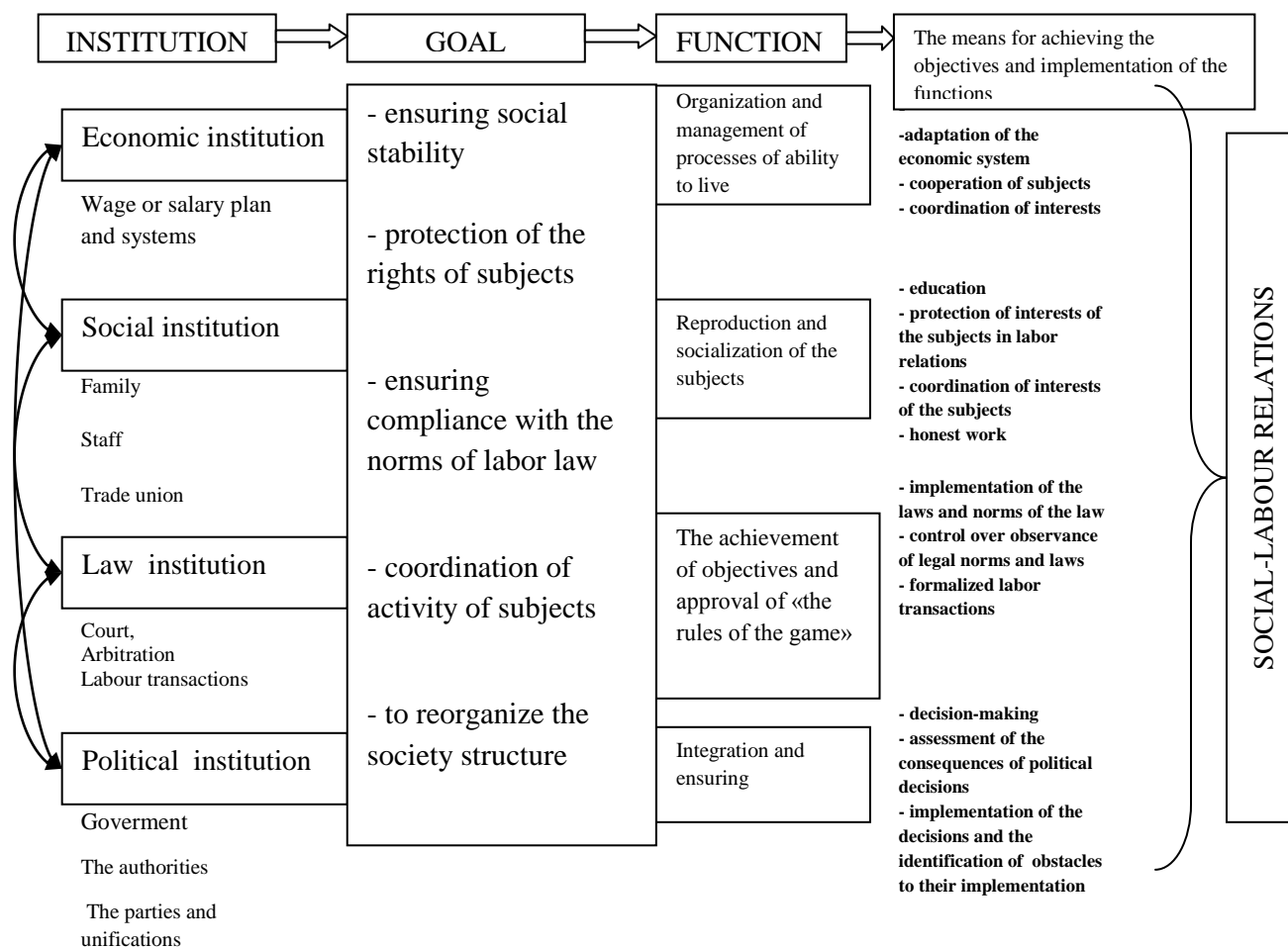


Fig.1. The system of the formal institutions of social-labour relations

*The formal economic institutions* are carrying out a major influence on the functioning of the economic mechanism, since their role in social and labour relations is to perform regulatory functions, directly connected with the organization and management of processes of ability to live, material and social reproduction of the labor force. The economic institutions of the socio-labour sphere play a key role in the activities of all subjects of labor relations. They provide the adaptation function of the economic system, establishment of cooperation between the subjects of labor relations, reducing their divergences of interests, minimisation of transaction costs, ensuring the functioning of the labour market. The main formal economic institutions that have a direct impact on the regulation of social and labour relations, include the wage or salary plans and systems.

Wages as an economic institution reflects the interaction of many economic

processes. On the one hand, the payment of labour is the main source of income of the employee and on the other - the most significant item of expenses of the employer. Wages shall, on the basis of the employment contract guarantee of labour remuneration for each worker in accordance with the results of his activity and the value in the labour market. But on the other hand, it should provide the reimbursement of costs for the labour force and the employer's profit after the sale of products. It is obvious, that the dual nature of the wage: it simultaneously acts costs for the firm and income for the employee. It is to this contradiction and is based a number of rules governing the relations between the main actors of labour relations.

*Formal social institutions*, such as the family and the staff at the micro level, trade unions and unions of employers at the meso level, the national service of mediation and reconciliation at the macro level, perform the function of socialization, namely provide individuals patterns of behaviour and ways of action in an appropriate environment, as well as the reproduction of social structure of society.

*Formal legal institutions* in the framework of socio-labor relations perform the function of the achievement of the goal, approval of certain rules of the game, which then is the relationship between the subjects of socio-economic relations. Major legal institutions of the labour sector can be attributed to the legislative body (implementation of the norms of the labor law), the judiciary and arbitration (the activity of which is aimed at the settlement of labour disputes and protection of labor rights of citizens), Institute of labour transactions. It should be noted that the Institute of labour transactions is an institutional norms, aimed at the regulation of individual contacts, various acts of group and intergroup behavior (e.g. collective bargaining). These rules determine the procedure and the method of mutual conduct governing the methods of transmission of information, services, labour, and also regulate activities of subjects of social and labour relations, in particular employers and jobseekers.

*Formal political institutions* in the institutional environment play a special role, since they determine the imperious hierarchical structure of society, the ways of decision-making and control. They perform the functions of integration and security, that is to achieve better meet the interests of all participants in labour relations and the promotion of conditions to meet the specific social needs. Representatives of political institutions are the government, public authorities, various political parties and associations defending their economic interests, in particular, and in the social labor sphere.

As between institutions and within any institution are peculiar rules of conduct, or the so-called *informal institutions*. They occur where there is a «fault» formal institution that causes a violation of the functions that are important for the functioning of the entire social organism. The basis of the mechanism of compensation for such «fault» lies some commonality of interests of the organization and its members.

Informal institutions are based on the selection of the individual or the organization of social relations involving informal relations, the absence of clearly established standards. However, informal institution can become a real formal, what can happen when «the baseline («technology»), the process is supported the achievement of the goal of auxiliary norms, psychological and аксіологічними facilities and mechanisms of interaction with other institutions, previously exist» [7, с.413].

According to the institutional economic theory of labour can be distinguished interconnected institutions-the rules specific to the market economy: trust, empathy, freedom, legalism [8, p.100-103]. Institute of trust provides for the expectations of those or other actions of its contractors, partners, clients, employers, employees, etc., that affect the decisions made by the entity in a situation where he must begin to act, not knowing whether these actions, or not [8, с.693; 9, с.253]. By definition, a sociologist F. Fukuyama, trust is the basis on which relies not only society, but also in specific sectors of the economy and the social sphere. He says: «trust is created under a certain society expectation that members of this community will behave normally and honestly, showing the readiness for mutual assistance in accordance with generally accepted standards» [10, p. 134]. The trust makes possible the rational achieve these objectives, planning of economic activity.

Institute of empathy is based on an understanding of the interests and intentions of counterparties and on the basis of this justifies the credibility of the contractors, partners, clients, employers, employees, etc. In its turn, the Institute which is a norm of freedom is based on the ability of the certain subject of economic activity do your best choice on the basis of trust and empathy for other economic entity-a company. While the Institute which is the norm legalism reflects a respect for the laws and willingness to follow them, then there is a commitment in respect of market participants and the state.

On the basis of this suggests that institutions norms structure the interaction between subjects of the world of work, ensure coordination of their activities. The very existence of the institutes which is a norm is the main guarantee of stability

interactions and their predictability.

Existing institutions-norms can be represented as a system and to depict the following diagram (Fig.2):

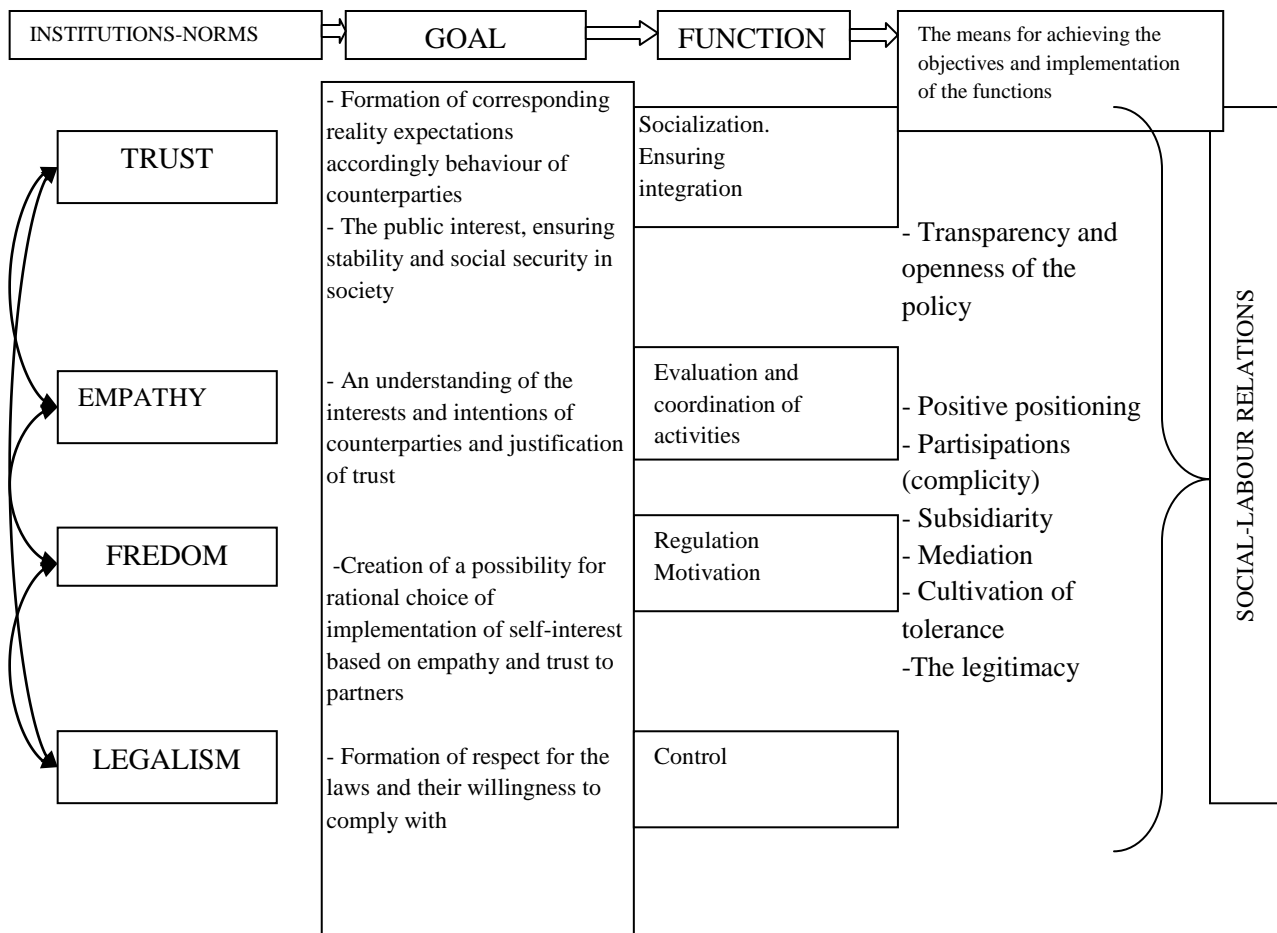


Fig. 2. The system of informal institutions of social-labor relations

However, in the period of crisis and post-crisis state of the economy these institutions-the rules do not fulfill their main function, which is manifested through the distrust of subjects of economic activities in its counterparties. This, in turn, entails a violation of empathy, the emergence of deep-seated contradictions in the system of socio-labor relations, restricts the freedom of rationality subjects and leads to shadowing the relations of the labour sphere. Therefore, the informal institutions of social-labor relations it is appropriate to attach responsibility. Theoretical studies show that responsibility is one of the main informal institutions, which directly affects the development of economic relations in society, and depends

on the implementation of other informal institutions, in particular the institutes which is norm.

**Conclusions.** In recent years, an increase in non-observance of the subjects of the socio-ethical and legal behavior norms in all spheres of economic activity. This trend is a consequence of the almost unlimited freedom for activities of economic entities, the lack of effective control. The main cause of degradation of responsible behavior recognizes the dominant economic ideology with the cult of the competition, greed, individualism, maximization of consumption of goods. Degradatal behavior contributes greatly imperfect regulatory framework of the country and non-compliance with social legislation relating to subjects of market relations. As a consequence, increasing atmosphere of alienation of the enterprises, there is an unacceptable gap in earnings of employers and the main share of wage earners, which leads to a gradual loss of labor potential of the country [10, с.234]. This trend increases the relevance of the study of The Economics to the problem of liability and the substantiation of its place in the regulation system of social-labour relations.

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