

SCTCMG 2018
**International Scientific Conference «Social and Cultural
Transformations in the Context of Modern Globalism»**

LABOR MOTIVATION IN MODERN ECONOMY

M.Kh. Bulguchev (a)*, M.D. Yusupova (b)

*Corresponding author

(a) FSBEI HE Ingush State University, 386101, Magas, 7 Zyzikov Ave., Magas, Russia,

(b) FSBEI HE Chechen State University, 364024, Grozny, 32 A. Sheripova st., Grozny, Russia,

Abstract

According to Ergonomics, the processes occurring in any human activity should be performed by the most motivated and effective methods and techniques, methodologically substantiating the retrospective, present and potential aspect of each approach. This is particularly relevant when choosing forms of ownership and management. With favorable climatic conditions (many sunny days, saturated hydrocarbons, fertile soils), labor (the predominant young age among economically active population) resources and experience in the development of folk crafts and crafts, the population of the studied subjects of Russia – Chechnya and Ingushetia – live with low per capita income: the latter takes the last place among the subjects of the country. The subject of study is the labor market. This study aims to analyze the labor market in two neighboring regions, which are fraternal not only by language and location, but also have much in common in the development of the economy. The survey of the population showed that 2/3 of the rural population does not accept this semi-feudal form, although it was supported by the regional authorities. A retrospective analysis shows that excessive administration of the Soviet economy led society to stagnation. The model of choosing a reasonable specialization among the local population and the efficiency of using private capital are shown through the example of the brickyard established in 2013, which is located along the Baku-Rostov-on-Don highway in Karabulak of the Republic of Ingushetia.

© 2019 Published by Future Academy www.FutureAcademy.org.UK

Keywords: Chechen, Ingushetia, employee motivation, ownership, management.



1. Introduction

To realistically assess the condition and predict the well-being of modern national-territorial formations through well-established classical conception becomes impossible. For this purpose, economic categories were typically used – supply and demand. “Varzar’s Sign” was used. The calculations were carried out by simplex or another method, etc. However, it is becoming more and more difficult to show the real picture of a state, although it is more common to use the figure of the gross domestic product (GDP) of a country, and that of the gross regional product (GRP) for an autonomous or federal subject. Economic theory is becoming increasingly politicized, although it is known that “in any case, the housekeeper relies on the knowledge accumulated by man in the field of economic management and research results of many generations. The origins of economics should be found in teachings of the ancient world: the countries of the Ancient East, Ancient Greece, and Ancient Rome” (Sidorov, Kuznetsova, & Bolik, 2017). In Russia, up to the 1930s, Germans and, to a lesser extent, the Baltic States read the discipline “Economic Theory” in higher education institutions. It requires a broad outlook in all areas of human activity and consideration of production factors: land, labor, capital and entrepreneurship.

Each country develops based on historically formed conditions, population complexes that encourage people to one or another activity. Although, there is also misunderstanding when it concerns the causes of poverty or the wealth of a country which are difficult to assess. For example, the Vatican is not a poor state, although it produces significantly less material goods compared to other countries. Another example is the subjects of the Russian Federation (RF) studied in this paper – the Chechen Republic (CR) and the Republic of Ingushetia (RI). The economies of these republics are incomparably low compared to the Arab countries, although large volumes of oil produced in some of these countries do not always provide high per capita income.

2. Problem Statement

Describing the degree of elaboration of this problem, we can say that in Russia it is already the second century that active production of hydrocarbons began in addition to other minerals. However, despite this and relatively immeasurable commercial lands, its global GDP reaches only 1.5–2.0%. The same situation can be observed for individual subjects. For example, “Over the XX century, 400 million tons of high-octane oil worth \$ 170 billion (over \$ 400 billion in comparable prices), tens of thousands of cubic meters of beech wood for needs of defense industry, agricultural products, etc, were extracted in Ingushetia. As a result, gasoline delivered to the republic is more expensive than that in some developed countries, not to mention the fact that hydrocarbons have never been produced in some of these countries, while the salary of the economically active population of the Republic of Ingushetia varies from 15 to 20 thousand rubles per month. A simple calculation shows that only 0.07% of the income from the oil shipped before the beginning of the XXI century was left in the republic for socio-economic improvement of the territory” (Bulguchev, 2015).

Over many decades, the authorities of the country prefer to sell abroad oil not the products of its processing, the price of which is 6–8-fold higher than that of raw materials, depending on the current situation on world markets. This does not change when social formation changes. Many dissertations that address reorientation of the Russian economy to high technologies have been defended and applied and

fundamental studies have been published. However, there is no turning point in the Russian economy as such in real world figures.

3. Research Questions

The subject of study is the labor market. Demand on the labor market is the aggregate demand for the country's labor force at any price established for it. Labor market supply is the total supply of resources for workers in a country with all possible prices for work. In order to live a normal life, the population is forced to sell its labor force and receive payment in the form of labor cost, which determines the functioning of the labor market. There is a specific product of labor – a certain set of intellectual, spiritual and physical abilities, which typically represent an individual employment potential. On the other hand, another part of the population is ready to pay for wage labor. In the labor market, these people are employers.

The main indicator on the labor market is labor cost, which is determined, in particular, based on the total value of goods necessary for normal human activity. This is the starting point, below which labor cost cannot be established. The final labor cost level is determined by various factors, supply and demand in the labor market being the main of these.

The main factors that affect the form of labor cost are:

- Age and sex structure of the labor market. People of different age and gender groups have a great impact on the labor market.
- Standards of living.
- Nature of social work intensity.
- Productivity of social labor.
- Level of socio-economic development of the national economy.
- Level of research and technology advancement of the national economy.
- Natural, climatic and geographical distribution of labor resources.

4. Purpose of the Study

This study aims to analyze the labor market in two neighboring regions, which are fraternal not only by language and location, but also have much in common in the development of the economy. In particular, in the former Chechen-Ingush Autonomous Soviet Socialist Republic before the creation of separate republics, “the oil refining industry in the 1970s and 80s was a large industrial complex, including primary oil refining, thermal and catalytic cracking, gas processing, and oil and paraffin production processes. Base enterprises of the oil refining complex of the ChIASSR were the Grozny Oil Refining Complex (GORC); the Grozny Oil Refining Complex named after A. Sheripov (GORC named after A. Sheripov); Novogrozny Oil Refining Complex named after N. Anisimov (NGORC named after N. Anisimov); Grozny Chemical Combine (GCC). The total design capacity of these enterprises for processing hydrocarbon raw materials (HR) was 20.0–21.0 million tons per year “(Reshiyev & Yusupova 2018). The assets of the Chechennftekhimprom conglomerate that were recently transferred into ownership of the Chechen Republic appeared to be unprofitable after operating for many decades and due to significantly reduced oil deposits in wells. Therefore, the economy of Chechnya after the well-known events of the 90s of the 20th century recovered and is recovering mainly based on transfers from federal agencies. This trend led to the

fact that virtually no structures supporting private small businesses are found in the republic. If they are created, it is only under one or another ministry. This approach poses risks, especially to the agro-industrial complex (AIC), to lack future economic well-being for the region. It is not possible to develop every rural settlement with state programs, since some administrative districts of Chechnya are located in the highlands, and only autochthons know motivation of people both to the forms of ownership and to the forms of economic management. In this regard, regional authorities do not pay due attention to market institutions when, according to classical economic theory, households, entrepreneurs and the state should be equal participants in economic management. In the Republic of Ingushetia (formed in 1992), active processes initially started among the population to develop AIC based on peasant (farmer) farm enterprises (PFE), individual businessmen (IB) and household farms (HF), although the latter are under Russian law are not commercial objects. The pattern began to gradually disappear when, for example, a businessman created a mini bakery and others began to follow his example. The resources, including topics of areas, were limited; therefore the population brought up on communist ideology was not motivated to find the workplace to realize their potential. This was gradually improved based on the accumulation of legal base and business practice. The scheme was as follows: denationalization–commercialization-privatization. The costs were high, therefore, in our opinion, they should be examined and empirically presented in another paper.

5. Research Methods

All the above information studied and analyzed by us occurred in contrast to what happened when the authorities imposed various non-market forms of economic activity on the population. In Ingushetia, for example, agricultural community self-sustaining cooperatives (ACSSC) were the first to appear. Around each rural settlement, an area was allocated calculated as 0.15 ha per family exclusively for agricultural production. However, it often happened that an active peasant stored building material on this land to denote the share of his land. The survey of the population showed that 2/3 of the rural population does not accept this semi-feudal form, although it was supported by the regional authorities. There was nothing to offer peasants in return for unmotivated collective farms and state farms disintegrated by that time. The Institute of Agricultural Producers was not scientifically or practically developed neither in the country nor in the regions.

For more than a century, the oil industry of Chechnya and Ingushetia were not profitable due to hard administration of resource management, however, AIC agricultural production against state unitary enterprises (SUE) imposed on the population in 2017 yielded more than 80% of crop and livestock production in Ingushetia produced by PFE, IB and HF. This happens despite the fact that that these forms of management provide significantly lower final economic result of productive resources per ruble, including agricultural land, and financial support from relevant department (loans, equipment leasing, etc.) is incomparably smaller than that of SUEs.

Small enterprises of various fields of activity account for almost 90% of the budget of the Republic of Ingushetia. The former construction micro-enterprises have become large companies, mainly public joint-stock companies with stock capital: Stroymarket, Maltes, Decor, Roofing Materials Plant, etc. At the same time, some state-owned enterprises created were unable to compete and broke up after a while. A direct supply of construction materials from local raw materials mainly contribute to the efficacy of private

enterprises. These are bricks, windows, doors, boards, tiles, paint, roofing products, etc. Construction works were carried out as piecework without resellers and all sorts of “kickbacks.” That is, small business was initially the basis of the economy of Ingushetia. “The effect (economic) of small and medium-sized businesses is determined by contribution of the latter to GRP, to an increase in the properties and competitiveness of manufactured goods and services, to formation of trade balance between the subject and regions of the Russian Federation and other countries, as well as to implementation of priority state projects related to health, education, and sustainable development of agriculture and housing” (Galachieva & Dygov, 2012).

A retrospective analysis shows that excessive administration of the Soviet economy led society to stagnation. Instead of goods manufacturers, society ends up with parasites, for example, “pilferers”. After the “Great Depression” against the “invisible hand of the market” by A. Smith, M. Keynes proposed indirect government regulation of the economy through various quotas, benefits, etc. He had no complaints about small business forms. Keynes argued that regulation occurs due to the impact on aggregate demand. According to Keynes' theory, the government should revive domestic demand, “for example,” place a large order to enterprises for goods manufacturing. In turn, this will lead to hiring of workers who will spend their money on goods. Accordingly, aggregate demand will grow up, and the overall economic situation will improve. According to his theory, the current Russian economy is developing. “The growing importance of small and medium-sized businesses in the socio-economic development of the state raises the question of their recognition as a national project. This type of business develops in the regions based on program-targeted methods” (Yusupova & Zherukova 2014). In remote rural settlements, farm enterprises should employ mixed farming in order to share the available capital. Different farm enterprises may experience hard times in different periods of time. Description of the methods used in the study is provided below.

6. Findings

The development of society does not happen unilaterally or in a certain area, it requires an integrated system that acts as a single mechanism. “An institution is referred to as a state, competition, monopoly, taxes, a stable way of thinking, and legal norms. The nature of economic development depends not on the market itself, but on the entire system of economic institutions where the market is only a part” (Anikina & Gavrilenko 2014). In this case, a set of special tools is needed in one or another activity.

Free market in Russia began to gradually develop at the end of the 1980s, the beginning of the 1990s on the basis of legal acts, whereas leasing, franchising, etc. were canceled by Stalinism in 1929. However, there were scientists who argue inefficient practices of collective farming. Peasants stood up against collectivization. Chayanov's approach to “family farm” was as follows: “... we are more inclined to use it for theoretical interpretation ... of a peasant farming as a family business, in which the family receives a single labor income as a result of labor costs and weighed its efforts with the financial result” (Chayanov, 1990).

The model of choosing a reasonable specialization among the local population and the efficiency of using private capital are shown through the example of the brickyard established in 2013, which is located along the Baku-Rostov-on-Don highway in Karabulak of the Republic of Ingushetia. This company is set

up as a partnership with joint contribution and joint responsibility of financial resources and comprises 27 farm enterprises, the construction company OOO “Arzi” and OAO “Sunzhensk Dairy Plant” (Bulguchev, 2010). A similar scheme was used in the city of Malgobek when reconstructing an old brickyard.

In addition to manufacturing of red brick, they have started the production of paving slabs this year. The founders, local population, dealers of construction enterprises from Chechnya, Dagestan and North Ossetia are the buyers of this product. The main advantages of the partnership are constant production so that it is possible to purchase products at any time, and accessibility from the federal highway (less than 1 km) due to hard-surface roads. In the city of Karabulak, the construction of a railway module is being completed to receive and send cargo, including construction materials.

One of the motivated small productions in the studied republics is the development of traditional arts and crafts. “It is assumed that at the beginning of the 21st century, traditional crafts can develop further when supported by various resources and provided with favorable conditions for the craft development” (Antipov, 2010).

In recent years, the government of the Republic of Ingushetia has begun to pay more attention to the development of traditional arts and crafts (Table 1).

Table 01. Regional support of small businesses for craft development (Bulguchev, 2015).

Activities	2017	2018	2019	2020	Total
Subsidizing participation in fairs, exhibitions, mln. Rub.	0,6	0,7	0,7	0,7	2,7
Creating a register of competitive enterprises, mln. Rub.	0,8	0,9	0,9	0,9	3,5
Further training and development of small business infrastructure, mln. Rub.	2,5	2,7	2,8	2,8	10,8
Subsidizing small businesses, mln. Rub.	0,9	1,0	1,0	1,0	3,9
Organizing workshop sessions, mln. Rub.	1,4	1,5	1,5	1,5	5,9
Holding the contest "The Best Entrepreneur of the Republic", mln. Rub.	0,9	1,0	1,0	1,0	3,9

Unfortunately, there are practically no specialists in many rural settlements of Chechnya and Ingushetia, for example, in dressing woollens. In this regard, such valuable raw materials are not used, but the imported substitute from Turkey costs 6-7 thousand rubles after tanning, that is, the same amount as the living ram itself. In Chechnya and Ingushetia there are a lot of vehicles. One can see various knick-knacks expressing the local flavor in their salons. But they are brought from Pyatigorsk or Dagestan. The labor of the villagers and almost free raw materials (clay, dolomite, etc.) are not used. For example, in high-mountain Jeyrakh region of Ingushetia and in Chechnya there are much more such opportunities. This would contribute to the constant flow of funds to local budgets, as the federal center does not collect taxes from such activities. In addition, it would significantly expand the number of jobs. And if you expand the activities, there will be opportunities to produce wool sheep carpets from local breeds, to melt silver from mountain ores for the production of various ornaments for Caucasian clothing. This topic is relevant as tourism in the mountainous areas of Chechnya and Ingushetia has been developing rapidly.

7. Conclusion

The link between labor motivation, form of ownership and form of management is sustained in any socio-economic formation. Due to this factor, deep state processes are underway in the Western European countries. This is the blurring of boundaries between countries as themselves, using a single currency, establishing common rules in accounting and banking policies, studying as many foreign languages as possible. Under such conditions potential entrepreneurs have the choice to implement the intellectual and professional capabilities in such direction as they seem the most free. According to the economic theory, the most efficient is free labor. That is, an individual has an opportunity to choose where to work, but not on the territory of his/her country, or with a certain team. Thus, labor motivation is a multifactorial process that requires careful developing an effective system of motivation at a particular enterprise and accounting the nature of the activity and individual characteristics of team members (Nazarova, 1991).

Proper labor motivation inspires people to have various kinds of hobbies due to their age, sex, interests, etc. All this has a positive effect on the life expectancy of the population at working age. We believe that there is a necessity to return the discipline "Scientific Labor Organization" to the higher educational institutions of the country by organizing training courses or internships for students in economically developed regions of Russia, as well as in foreign countries. First of all here it is necessary to reform teaching foreign languages in higher education institutions.

References

- Anikina, E.A., Gavrilenko, L.I. (2014). *Economic theory*, Tomsk, Tomsk Polytechnic University
- Antipov, T.B. (2010). Regional traditions of folk crafts in the culture of Russia. *Thesis and thesis abstract "Regional traditions of folk crafts in the culture of Russia."* <http://www.dissercat.com/content/regionalnye-traditsii-narodnykh-promyslov-v-kulture-rossii> - scientific electronic library. Volgograd. 232.
- Bulguchev, M.Kh. (2010). Cooperation of peasant (farmer) farms in the Republic of Ingushetia. *AIC, Economics, Management*, 10, 44-46
- Bulguchev, M.Kh. (2015). *Ethnoeconomics in the Caucasus. Monograph*. Nazran, KEP LLC, 431.
- Chayanov, A.V. (1990). *Peasant farm*, Moscow.
- Galachieva, S.V., Dygov, Kh.Z. (2012). Approaches to the definition of sustainable development of the macro-region. *Economic Sciences*, 97, 118-121.
- Nazarova, E.N. (1991). *Abstract of the thesis on the topic: "Improving the motivation of the staff of the enterprise."*
- Reshiyev, S.S., Yusupova, M.D. (2018). *The main stages of development of the oil refining industry in the Chechen Republic*.
- Sidorov, V.A., Kuznetsova, E.L., Bolik, A.V. (2017). *General economic theory: a textbook for students of higher educational institutions*. Maikop: LLC "EIIT".
- Yusupova, M.D., Zherukova, O.B. (2014). Formation of the state regulation system of large and small businesses sustainable development. *Issues of economics and law*, 5, 53-55.