

## The Legal Validity Requirements of Material Liability Agreements and the Procedure for Resolving Disputes

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**Annotation:** This article provides a detailed legal analysis of the requirements for the validity of material liability agreements concluded between employers and employees, as well as the procedures for resolving disputes arising from such agreements. Material liability agreements serve as legal instruments through which parties define the extent and conditions of financial responsibility in the event of damage to property or violation of labor obligations.

The article explores the legal prerequisites for the enforceability of these agreements under the Labor Code of the Republic of Uzbekistan, including conditions related to voluntary consent, the scope of liability, and proper documentation. Particular attention is paid to the classification of individual and collective material liability agreements and their legal limitations.

Judicial practices concerning the enforcement or invalidation of such agreements are reviewed, highlighting common legal challenges and procedural nuances in dispute resolution. Comparative insights from international labor law are also provided to support the development of more robust and equitable frameworks.

This article is intended for labor law practitioners, legal scholars, employers, and human resource professionals, offering practical guidance on ensuring the legality and enforceability of material liability agreements while protecting the rights of all parties involved.

**Key words:** employer's material liability, labor law, wage protection, damage compensation, Uzbekistan's Labor Code, international labor law, hiring, dismissal, judicial practice, legal foundations, international agreements, compensation mechanisms.

In the process of transitioning to a market economy in the Republic of Uzbekistan, the protection of citizens' constitutional rights and legitimate interests in all spheres of social life—particularly in labor relations—has acquired critical importance. To ensure that labor relations are regulated effectively and that legal interactions within the labor sphere are stable and fair, it is essential that public officials, civil society organizations, and every citizen of the Republic of Uzbekistan conscientiously and responsibly fulfill their duties.

In this context, the legal liability system in labor relations serves as one of the key mechanisms for ensuring discipline and order. Its effective implementation plays a crucial role in maintaining the legal balance between the employee and the employer.

When analyzing the concept of material liability, it is recognized as one of the core institutions of labor law. This concept regulates the legal relationships between the parties to the employment contract—namely, the employer and the employee. The essence of material liability lies in the principle that, if either the employee or the employer causes material damage to the other party, such damage must be compensated in accordance with the established legal norms<sup>1</sup>.

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<sup>1</sup> Мацкеевич О.В. Трудовое право: Учебник для бакалавриата / О.В. Мацкеевич, А.Н. При- женникова, А.В. Буянова. — М.: Прометей, 2022 — 570 с

Such obligations are clearly defined in the Labor Code of the Republic of Uzbekistan. Typically, material liability is stipulated in the employment contract, additional written agreements, or collective agreements. These documents serve to specify the scope and conditions of material liability; however, they must not exceed the limits established by law. In other words, the employer's liability towards the employee cannot be less than what is prescribed by legislation, and the employee's liability towards the employer cannot be disproportionately increased.

Material liability may arise not only during the term of employment but also after the employment relationship has ended. If either party to the employment contract causes damage to the other party through unlawful actions or inaction, that party shall bear material liability. In certain cases, the employer may be held materially liable even if not directly at fault. For instance, if an employee suffers health damage during the production process or due to exposure to a hazardous environment, the employer may be obliged to compensate for the damage. Therefore, material liability is an integral part of labor law and its proper implementation ensures justice and stability in labor relations.

One of the employer's key obligations within labor relations is the timely payment of wages and other monetary entitlements to employees. According to Article 333 of the Labor Code of the Republic of Uzbekistan, if the employer fails to pay wages, vacation pay, severance payments, or other financial compensation within the stipulated time, they are obliged to pay compensation for each delayed day.

Under this article, any delay in wage payments or related compensation is considered damage caused to the employee, and this damage must be compensated in the form of interest, calculated based on the refinancing rate set by the Central Bank of the Republic of Uzbekistan. That is, the employer must pay interest for each day of delay until the actual date of payment.

Importantly, the employer is required to pay this compensation even if the delay was not caused by their fault. This provision serves as a critical legal guarantee for the protection of employees' financial rights. Furthermore, collective agreements, internal regulations, or individual employment contracts may provide for higher compensation rates.

This legal provision increases the level of disciplinary accountability for employers and plays an important role in safeguarding employees' labor rights. Therefore, every employer must fulfill their financial obligations as prescribed by labor legislation in a timely manner; otherwise, they may be held materially liable.

In labor relations, the timely and full payment of wages to employees is considered a fundamental legal requirement. According to Article 253 of the Labor Code of the Republic of Uzbekistan, the timing of wage payments may be specified in a collective agreement or in the internal regulations of the organization. In the absence of such documents, the terms are defined by the individual employment contract. Wages must be paid at least once every half-month and are typically divided into two parts: an advance and the remaining balance.

In accordance with the law, if the wage payment date falls on a weekend or public holiday, the employer is required to make the payment in advance. Wages cannot be made contingent upon or postponed due to other payments or priorities—employees must receive their lawful income without delay. Moreover, the employee has the right to request a wage statement and information about any deductions made.

If the employer fails to fulfill these obligations and delays wage or other labor-related payments, they will be held materially liable under Article 333 of the Labor Code. This provision is designed to protect employees' financial rights and to enforce financial discipline among employers.

Therefore, employers must strictly observe their obligations; failure to do so may result in legal and material liability. This in turn contributes to the protection of employees' rights and promotes stability within labor relations.

In addition, according to the Order of the Minister of Poverty Reduction and Employment of the Republic of Uzbekistan dated June 12, 2023, registered under No. 3443, official recommendations have been approved regarding the conclusion of individual or collective (brigade) material liability agreements with employees. These agreements clearly define the responsibilities of the parties within labor relations and guarantee the preservation of valuables entrusted to employees.

Material liability agreements must include the following essential elements:

- ✓ the name of the organization and the personal details of both the employer and the employee;
- ✓ detailed information regarding the funds and material assets entrusted to the employee or collective;
- ✓ the rights and obligations of the parties;
- ✓ exceptions to material liability;
- ✓ procedures for determining damage and conditions for compensation.

In the event of emergencies such as natural disasters, industrial accidents, or theft committed by third parties, the employee is required to immediately notify the employer. If such circumstances are confirmed, the employee may be exempted from material liability.

At the same time, the law specifies certain conditions under which full material liability may be imposed on the employee. For instance, when a full material liability agreement has been concluded, the employee is responsible for any shortage or loss of the property entrusted to them. Similarly, full liability may apply in cases where the damage was caused intentionally, under the influence of alcohol or drugs, or as a result of unlawful actions.

Material liability is an integral part of labor legislation and serves to uphold financial discipline between employees and employers. If an employer fails to pay wages on time or avoids compensating the employee for damage caused, they are held accountable under the law. Therefore, all parties in labor relations must fulfill their obligations in good faith.

As one of the core institutions of labor law, material liability has been the subject of extensive theoretical and practical research by legal scholars.

Notably, **K.L. Tomashevsky**, in his works on labor law, defines material liability as a mechanism of economic compensation arising from a breach of obligations between the employee and the employer. He emphasizes the necessity of protecting employees' interests within the framework of labor legislation<sup>2</sup>.

**V.M. Lebedev**, in his research, interprets the employer's material liability as a legal guarantee aimed at preventing economic losses. According to him, any damage caused to employees—particularly in cases of delayed or incorrectly calculated wages—must be compensated by the employer in accordance with the procedures established by law.<sup>3</sup>

<sup>2</sup> Томашевский К.Л. Трудовое право России: Учеб.—М.: ТК Велби, Изд-во Проспект, 2004.- 496 с.

<sup>3</sup> Лебедев В.М. Теоретические и практические аспекты совершенствования института трудовой ответственности: дис. ... д-ра философии (PhD). - Семей, 2020. - 130 с

**M.A. Rakhimov** defines material liability in labor relations as the obligation to compensate for damage arising from mutual property-related harm caused between the employer and the employee. In his view, such liability is essential for ensuring the stability of labor relations.<sup>4</sup>

Based on the analysis of opinions expressed by foreign scholars, it is essential to recognize that material liability represents one of the fundamental mechanisms for ensuring the stability of labor relations. In the context of a market economy, the establishment of legally sound employment contracts between employers and employees, as well as the existence of statutory mechanisms for damage compensation, play a vital role in enhancing the effectiveness of labor legislation.

From this perspective, Articles 253 and 333 of the Labor Code of the Republic of Uzbekistan serve not only to safeguard employee rights but also to uphold the sustainability of labor relations. These provisions form the basis of a balanced legal mechanism that obliges the employer to compensate any material damage caused to the employee due to delayed or miscalculated wage payments, as prescribed by current legislation.

In our view, material liability should be considered an integral institution of labor law. It contributes to maintaining financial stability between the employer and employee, reinforces labor discipline, and serves as a preventive measure against economic losses. Therefore, to ensure the effective functioning of material liability within labor relations, it is necessary to continuously refine the legal foundations and implementation mechanisms.

In exceptional circumstances—such as natural disasters, industrial accidents, or theft committed by third parties—employees are legally required to immediately inform the employer. If such incidents are verified, the employee's material liability may be waived. Conversely, there are clearly defined circumstances in which employees may be held fully liable. For instance, if a full material liability agreement is in place, the employee is responsible for any loss of or shortage in the property entrusted to them. Full liability may also arise in cases involving intentional damage, misconduct, intoxication, or criminal acts committed by the employee.

The research findings demonstrate that employer material liability is a significant legal instrument aimed at protecting the economic interests of workers. Although Uzbekistan's labor legislation contains explicit legal norms regarding this issue, challenges remain in terms of their consistent and effective application in practice.

Firstly, in cases where wages are delayed, workplace accidents occur, or employees suffer material harm, the legal basis for liability is established. However, the implementation of these obligations often faces delays due to employees' limited legal awareness and the procedural complexity of dispute resolution.

Secondly, international experience reveals that developed countries have established clear and efficient systems for regulating employer material liability. In many jurisdictions, employee rights are protected through specialized state bodies or insurance mechanisms, which ensure timely compensation in case of damage or wage-related violations.

Thirdly, in order to improve the efficiency and reliability of the material liability system in Uzbekistan, the following policy recommendations may be proposed:

- enhancing employees' legal literacy and expanding access to educational programs on labor legislation;

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<sup>4</sup> М.А. Рахимов. *Меҳнат ҳуқуқида моддий жавобгарлик институтининг ривожланиши ва замонавий ёндашувлар*. – Тошкент: ТДЮУ нашриёти, 2022.

- strengthening the oversight functions of public authorities responsible for monitoring employer liability;
- introducing automated systems for calculating and disbursing compensation in cases of delayed wages or proven harm to employees;
- promoting the practice of explicitly outlining material liability clauses in employment contracts to ensure clarity and enforceability.

In conclusion, employer material liability constitutes an essential component of labor law and plays a vital role in protecting employees' rights and financial interests. For Uzbekistan, the ongoing refinement of legislative provisions and the strengthening of implementation and enforcement mechanisms are critical to the system's effectiveness. By ensuring proper legal safeguards, the state can guarantee employee protections and promote the long-term stability of labor relations in the national economy.