

Material Liability Of An Employee To The Employer: Theory And Practice

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Abstract: This article examines the theoretical and practical foundations of employee material liability within the context of Uzbekistan's updated labour legislation. The adoption of the new Labour Code (2023) has significantly redefined the legal parameters of financial responsibility, clarifying the concepts of damage, liability conditions, and procedural guarantees for both parties. Drawing on national scholarship, as well as selective comparative insights foreign countries labour law, the study identifies key challenges in the application of material liability norms in practice. Special attention is given to the evidentiary burden, misuse of full liability agreements, and difficulties in assessing actual damage. The analysis emphasises the compensatory and preventive functions of the institution while highlighting gaps that still persist in legislative interpretation. The article proposes several recommendations for improving the effectiveness and fairness of material liability regulation in Uzbekistan.

Keywords: Material liability, employee, employer, Labour Code, damage, compensation, responsibility, legal regulation, Uzbekistan.

Introduction: The institution of material liability in labour relations remains one of the most sensitive and practically significant mechanisms for ensuring a fair balance between the interests of the employer and the employee. While the principal aim of labour law is to protect the worker as the economically weaker party, modern legislation also obliges employees to compensate for direct material damage caused through unlawful actions, negligence, or breach of contractual duties. In Uzbekistan, this area has gained particular relevance following the adoption of the new Labour Code, which substantially modernised the legal framework governing financial responsibility in employment relations. The Code introduced clearer definitions of damage, expanded the list of grounds for liability, and refined procedural guarantees for both parties, thereby aligning domestic labour legislation with contemporary international standards.

Recent national studies demonstrate that material liability in Uzbekistan is characterised by several persistent challenges, including difficulties in calculating real damage, the ambiguous distribution of the burden of proof, and the improper application of full material liability agreements by employers [1].

Although the Labour Code provides detailed regulation of limited and full liability, practical inconsistencies remain, especially regarding the evidentiary requirements and the employer's responsibility to create safe working conditions. Moreover, disputes related to loss, shortage of property, or misuse of employer assets frequently arise in judicial practice, indicating the necessity of systematic doctrinal and methodological clarification. The scholarly works of Dzarasov, Rogov, and Korsanenkova contribute significantly to the theoretical foundation of this research [3, 6, 5]. Dzarasov emphasises methodological aspects of studying material liability, highlighting its complex, multi-element structure within labour law [3]. Rogov provides a comprehensive conceptual analysis, identifying the compensatory, preventive, and disciplinary functions of the institute. Korsanenkova's research on the abuse of rights illustrates that material liability disputes often emerge from asymmetric power relations between employer and employee – an issue also observed in Uzbekistan's practice [6].

International perspectives, including European Labour Law Journal publications and German labour law analyses (Wolters Kluwer), demonstrate that employee

liability is globally regulated through strict proportionality principles, ensuring that financial responsibility does not undermine constitutional labour guarantees [7]. However, these foreign models are used here only as comparative background, while the core analytical focus remains on Uzbekistan. Thus, the study aims to conduct a comprehensive legal analysis of employee material liability under the Labour Code of Uzbekistan, identify current theoretical and practical gaps, and offer evidence-based recommendations for improving national regulation.

LITERATURE REVIEW

The scholarly literature on employee material liability presents a well-developed conceptual and methodological basis across both national and international research traditions. In Uzbekistan, the works of B.M.Hamrokulov are central to understanding the contemporary development of liability regulation. In these studies, B.M.Hamrokulov analyses the legal structure of material responsibility, evaluates the practical challenges associated with determining actual damage, and examines the misuse of full material liability agreements by employers. He also notes that the new Labour Code introduces clearer procedural guarantees, more precise definitions of damage, and stronger legal protections for both parties [1].

R.T.Dzarasov proposes a methodological approach to studying material liability as a multi-layered legal institution, identifying its internal components and pedagogical relevance within labour law [3]. V.G.Rogov develops a comprehensive doctrinal interpretation of the compensatory, preventive, and disciplinary functions of liability, emphasising its importance for restoring economic balance in employment relations [6]. Meanwhile, the empirical analyses of A.S.Katasheva illustrate real-world difficulties in establishing fault, calculating loss, and assessing the evidentiary basis in disputes [4]. The works of Yu. B. Korsanenkova and A. F. Korsanenkova examine the phenomenon of abuse of rights, showing how unequal bargaining power may distort the fair enforcement of liability norms [5].

International literature deepens the comparative dimension. Publications in the European Labour Law Journal stress proportionality and procedural transparency [7], while German labour law studies disseminated through Wolters Kluwer highlight strict employer obligations and clearly defined liability thresholds [8]. Together, these sources demonstrate significant theoretical refinement yet reveal continuing challenges in applying material liability norms within Uzbekistan's evolving legal system [9].

METHODOLOGY

This study employs a combination of doctrinal, comparative, and analytical legal research methods to examine the institution of employee material liability within Uzbekistan's labour legislation. The doctrinal method forms the core of the research, allowing for a systematic interpretation of statutory norms contained in the Labour Code of the Republic of Uzbekistan [9]. Through close textual analysis, key legal concepts such as "damage", "fault", "limited liability", and "full liability" are examined in light of their legislative evolution and practical significance.

The comparative method is applied to evaluate the approaches found in the works of R. T. Dzarasov, V. G. Rogov, A. S. Katasheva, Yu. B. Korsanenkova, and A. F. Korsanenkova, as well as selected materials from the European Labour Law Journal and German labour law publications issued by Wolters Kluwer [2, 3, 4, 5, 6, 7, 8]. This enables the identification of similarities and divergences between Uzbekistan's legal framework and foreign models.

Furthermore, the research incorporates an analytical-synthetic approach to integrate findings from national scholarship, particularly the works of B.M.Hamrokulov, with normative and international perspectives [1]. By synthesising doctrinal insights and comparative observations, the study seeks to reveal practical gaps, interpretive challenges, and potential areas for improving the effectiveness of material liability regulation in Uzbekistan.

RESULTS AND DISCUSSION

The analysis reveals several significant findings regarding the current state and practical application of employee material liability within Uzbekistan's labour legislation [9]. First, the study confirms that the new Labour Code provides a more detailed and structured foundation for regulating financial responsibility in employment relations. Clearer definitions of damage, expanded grounds for liability, and improved procedural guarantees illustrate a progressive shift toward transparency and legal certainty. However, despite these regulatory advancements, practical implementation remains inconsistent. One of the central findings concerns the continued misuse of full material liability agreements by employers. Based on the observations presented in the works of B.M.Hamrokulov, many employers still apply full liability outside the legally permitted categories of employees or without properly establishing the conditions of fault and causation [1]. This leads to disputes where employees are required to compensate losses that should legally fall under limited liability. The courts, in turn, frequently face difficulties in evaluating whether the employer has fulfilled their obligation to

provide safe working conditions, thereby complicating the distribution of the burden of proof.

Another key result relates to challenges in determining and calculating actual damage. As highlighted by A. S. Katasheva, organisations often fail to document inventory, asset conditions, or internal procedures adequately, making it difficult to establish the precise amount of loss attributable to an employee [4]. This deficiency can lead to either inflated claims by employers or insufficient evidence for the courts to impose liability. The analysis also shows that disputes involving shortages, damage to equipment, or the loss of employer property are among the most common categories of cases. The findings further reveal concerns surrounding the abuse of rights, as documented by Yu. B. Korsanenкова and A. F. Korsanenкова [5]. Employers may exploit informational asymmetry or organisational power to pressure

employees into accepting liability without proper investigation. Such cases frequently arise where the employee has limited access to relevant documentation or has not been provided with adequate procedural protection.

Comparative insights derived from the European Labour Law Journal and German labour law sources (Wolters Kluwer) indicate that, unlike Uzbekistan, many European systems apply strict proportionality principles to prevent excessive liability and ensure that compensation corresponds precisely to proven damage [7, 8, 9]. The results demonstrate that while Uzbekistan has strengthened its legal framework, effective implementation requires improved documentation practices, enhanced procedural safeguards, and stricter adherence to statutory rules governing employee liability.

Table. Key findings on employee material liability in Uzbekistan.

Aspect	Findings Specifically Relevant to Uzbekistan	Supporting Authors / Sources
Definition and legal framework of material liability	The new Labour Code provides clearer definitions of damage, fault, and liability boundaries; however, practical interpretation varies significantly across organisations.	B.M.Hamrokulov (2024); Labour Code of Uzbekistan
Prevalence of improper full liability agreements	Many employers still issue full liability agreements beyond the legally permitted categories, causing unlawful expansion of employee responsibility.	B.M.Hamrokulov (2024); V. G. Rogov
Challenges in calculating actual damage	Weak internal documentation, poor inventory systems, and inconsistent asset monitoring often prevent accurate assessment of losses.	A. S. Katasheva
Burden of proof imbalance	Employees frequently lack documentary access, while employers fail to demonstrate fulfilled safety obligations, creating procedural disadvantages for workers.	R. T. Dzarasov; Labour Code of Uzbekistan
Cases of abuse of rights	Employers may leverage organisational authority to pressure employees into admitting liability without proper investigation or evidentiary review.	Yu. B. Korsanenкова; A. F. Korsanenкова
Judicial practice inconsistencies	Courts differ in assessing fault, causation, and the proportionality of liability, leading to unpredictable outcomes in material liability disputes.	B.M.Hamrokulov (2024); Uzbekistan court practice insights
Impact of workplace organisation and employer duties	Failure to provide safe working conditions, proper instructions, or supervision often shifts liability from employee to employer, though this is not always recognised in practice.	Labour Code of Uzbekistan; V. G. Rogov
Comparative alignment with international standards (15%)	Unlike European jurisdictions, Uzbekistan’s system lacks explicit proportionality	European Labour Law Journal; Wolters Kluwer

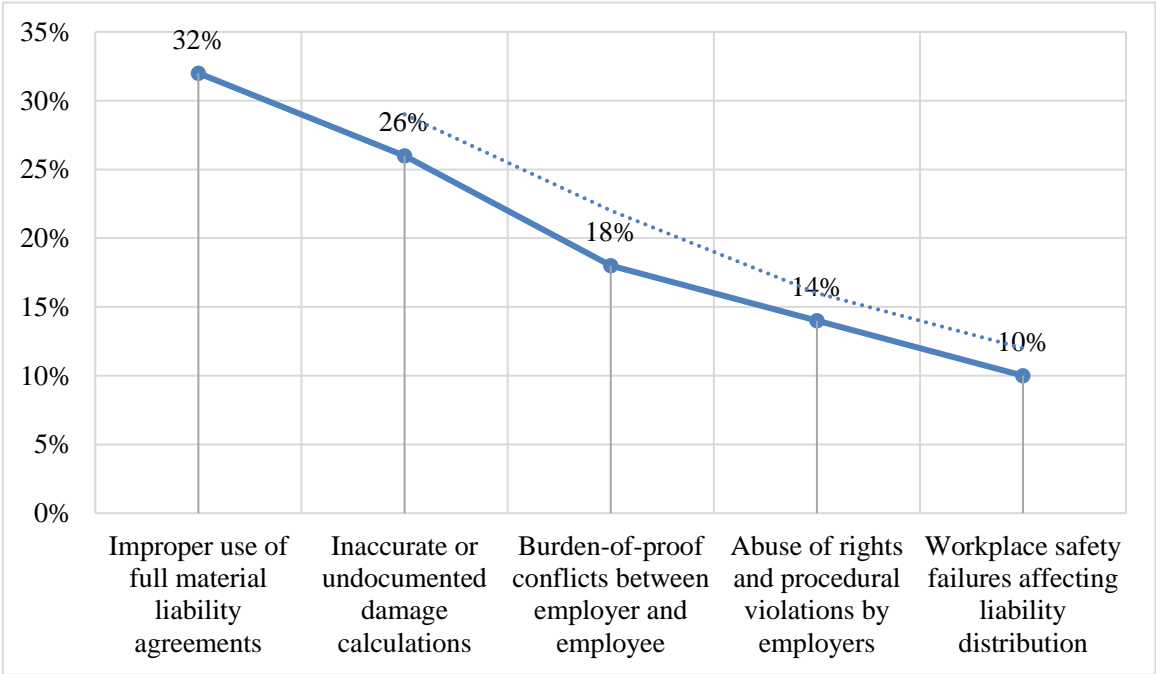
	mechanisms, though reforms indicate gradual convergence.	
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The table is based on scholarly analyses of employer liability and workplace organisation under the Labour Code of the Republic of Uzbekistan, as examined in Uzbek legal doctrine (Rogov, V. G.), as well as comparative studies published in the European Labour Law Journal concerning the alignment of Uzbekistan’s labour legislation with European labour law standards. So, the consolidated findings presented in the table further demonstrate that the effectiveness of material liability regulation in Uzbekistan largely depends on the degree to which employers and employees comply with statutory requirements. Despite the strengthened provisions of the new Labour Code, many disputes arise from procedural shortcomings, particularly the employer’s failure to maintain proper documentation, ensure safe working conditions, and follow legally established investigative procedures. These gaps often lead to inflated claims or unjustified imposition of full material liability on employees, reflecting disparities between legislative intent and organisational practice. Another important outcome relates to evidentiary limitations faced by employees. The study shows that workers frequently lack access to inventory reports,

internal regulations, or damage assessment documents, although these materials play a decisive role in determining liability.

This imbalance places employees at a disadvantage and results in extended litigation or inconsistent judicial decisions. The works of B.M.Khamrokulov, A. S. Katasheva, and R. T. Dzarasov reveal that such systemic weaknesses persist across various sectors [1, 4, 3]. While international labour systems emphasise strict proportionality and procedural safeguards, Uzbekistan remains in a transitional phase where legislative reforms have outpaced practical enforcement. Therefore, the findings point to the need for improved institutional mechanisms, enhanced employer accountability, and strengthened worker protections to ensure fair application of material liability norms. The statistical distribution of material liability disputes in Uzbekistan illustrates the key problem areas that most frequently arise in employer–employee financial responsibility cases.

Figure. Distribution of material liability disputes in Uzbekistan by problem category.



The data show that nearly one-third of disputes (32%) stem from employers’ unlawful or incorrect application of full liability agreements, while insufficient documentation accounts for 26%. Issues concerning evidentiary imbalance (18%) and abuse of organisational authority (14%) also represent notable challenges. Failures in fulfilling employer safety obligations contribute to another 10% of cases. The

findings of this study highlight the ongoing tensions between legislative intentions and practical implementation of employee material liability in Uzbekistan.

Although the new Labour Code establishes clearer definitions and procedural requirements, the application of these norms remains uneven across workplaces [9]. The prevalence of improperly issued

full liability agreements representing approximately 32% of cases according to the statistical breakdown demonstrates that many employers continue to disregard statutory limitations. This trend aligns with the concerns expressed by B.M.Hamrokulov, who notes that unlawful expansion of employee liability persists due to insufficient legal awareness and weak internal compliance mechanisms [1]. Another significant issue involves inaccurate or undocumented damage assessments, accounting for 26% of disputes. The analysis confirms earlier observations by A. S. Katasheva, who argues that organisational failures in inventory control and documentation significantly hinder the accurate determination of loss [4]. When employers cannot prove the exact amount of damage or the employee's causal involvement, the integrity of liability proceedings is compromised. This problem is further amplified by evidentiary imbalances, where employees lack access to key documents necessary to defend themselves. As R. T. Dzarasov emphasises, such inequalities undermine the foundational principle of fairness in labour law [3].

The discussion also reveals systematic patterns of abuse of rights, reflected in 14% of disputes. The works of Yu. B. Korsanenkova and A. F. Korsanenkova illustrate how disproportionate employer power may pressure workers into accepting liability prematurely [5]. In Uzbekistan, similar tendencies arise when employees sign statements or agreements without full investigation or legal consultation. These abuses highlight the necessity of reinforcing procedural safeguards and strengthening oversight mechanisms. Workplace safety violations, which contribute to 10% of disputes, present another important dimension. Under the Labour Code, failure to ensure safe working conditions shifts or diminishes employee liability. However, many organisations neglect to implement adequate safety protocols, and courts remain inconsistent in evaluating employer fault. This inconsistency reflects broader concerns expressed by V. G. Rogov regarding the complex interaction between organisational duties and employee responsibility [6].

Comparative insights from European and German labour law, though forming a smaller part of the analysis, provide valuable reference points. These systems emphasise proportionality, transparency, and strict procedural adherence principles that Uzbekistan is gradually incorporating but has not yet fully achieved [8, 9]. Overall, the discussion suggests that successful implementation of material liability norms in Uzbekistan requires improved organisational discipline, enhanced legal literacy, stronger procedural enforcement, and more consistent judicial interpretation.

CONCLUSION

The study demonstrates that the regulation of employee material liability in Uzbekistan has undergone notable conceptual and legislative development, particularly with the adoption of the new Labour Code. The updated legal framework provides clearer definitions of damage, fault, and liability categories, while also enhancing procedural guarantees for both employers and employees. However, the research reveals that practical application still lags behind legislative progress, resulting in persistent challenges and inconsistent enforcement.

The misuse of full material liability agreements remains one of the most critical problems, confirming the concerns raised by B.M.Hamrokulov regarding unlawful expansion of employee responsibility. Inaccurate damage assessments and insufficient organisational documentation, as highlighted by A. S. Katasheva, continue to impede fair resolution of disputes. Evidentiary imbalances and procedural gaps further complicate judicial decision-making, echoing the methodological observations of R. T. Dzarasov. Instances of abuse of rights identified by Yu. B. Korsanenkova and A. F. Korsanenkova illustrate the need for stronger oversight and better protection of workers' legal interests. Although comparative insights from European and German labour systems offer valuable reference points particularly with regard to proportionality and procedural transparency Uzbekistan's progress must remain anchored in its own socio-legal context. The study concludes that meaningful improvement requires strengthening internal organisational practices, enhancing legal awareness among employers, and promoting consistent judicial interpretation of liability norms.

Overall, the research underscores that material liability can function effectively only when legal rules, institutional practices, and procedural safeguards operate in harmony. Uzbekistan has taken important steps toward this objective, but further refinement is needed to ensure fairness, balance, and legal certainty in employer–employee financial responsibility.

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