

## PRIORITIES AND ACTIONS FOR A BETTER MANAGEMENT OF LABOUR MARKET

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**ABSTRACT:** The lasting structural crisis that Romania has been going through in the last years is due to the lack of balance among the production and the consumer goods markets, the capital market, the exchange market etc.

Owing to the fact that the labour market is a derived market which is influenced by other markets and that it has, in its turn, an influence on all the branches of the socio-economic life, we can say that the „health” of the labour market reflects the vitality and the viability of an economy, and the proper working of its mechanism.

It is, therefore, justified the importance attached to the economic policy measures destined to ensure the adjustment of the labour market, especially by using employment policies.

### ПРИОРИТЕТНИ ДЕЙНОСТИ ЗА ПОДОБРЯВАНЕ МЕНИДЖМЪНТА НА ТРУДОВИЯ ПАЗАР

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**РЕЗЮМЕ:** Продължителната криза, в която се намира Румъния през последните години се дължи на отсъствието на равновесие между производство и потребление на потребителски стоки, липсата на капиталов пазар, борсов пазар и т.н..

Факт е, че върху пазара на труда оказват влияние както различните видове пазари, така и всички сфери на социално-икономическия живот. Ето защо може да се каже, че „оздравяването” на трудовия пазар се отразява върху жизнеспособността и стабилността на икономиката и върху характерните особености на работния механизъм.

Това оправдава и опитите за приспособяването на трудовия пазар към политиката за наемане на работна ръка.

Being one of the most important resources (labour power) of economy and also a production factor, the labour market holds a key-position in competitive economy. Its importance of controlling the processes and phenomena in economy and society, of preventing conflicts, promoting stimulation and social justice principles is continually increasing because globalisation and internationalisation, fast technological progresses and the intensification of competitiveness and rivalry, the relatively high rate of unemployment –followed by serious long term unemployment- as well as the demographic phenomenon of migration have a great impact upon labour demands and offers, upon employment models and upon management and labour market control mechanisms.

The labour market has a relative functional autonomy, with differences as far as the demand for labour and the job offers are concerned in the process of mediation and adjustment. The labour market is a special market as it is not only the place where the demand for labour and the job offers meet and interact, but it is also in permanent contact with other markets; it receives and transmits signal, it anticipates on a long term the evolution of the demand for labour and the job offers, the reaction and behavior of economic agents, and the social factors; it also collects the impact of technology, of the intensity of the capital, of the demographic development, of the legislative regulations, of the monetary, foreign exchange, financial market and the modification of nominal income into real income, a.s.o.

The human potential – one of the few “trump cards” Romania has on its way to transition – must not be neglected, wasted

and devaluated. We must not forget that the man is not only the main production factor, but also the most active factor for development; he is the one that determines a superior valorization of the other factors if he himself is highly appreciated.

Analysing the Romanian labour market in a period of transition we can highlight the following aspects:

- *Employment reduction, work security and social protection weakening.* These processes are considered a consequence of the change in the employment models, of the underproduction and underemployment of production factors crisis. If we consider the ownership, the public sector is the most affected one, and if we refer to the branches and sub-branches of economy we can say that the strongest decline is to be found in the secondary sector (manufacturing industry, constructions, transport). Unfortunately, mainly highly productive and motivated sectors have been affected.
- *Chronic unemployment amplification.* The main demographic and professional categories of people referred to are youngsters, women and unskilled workers.
- *The falling number of people able to work and included in the teaching and professional training system.* This is considered to be an extremely dangerous middle and long-term phenomenon, since “taking a refuge” in the teaching system is regarded as an alternative for employment and as a factor of labour market adaptive ness.

- *Job and income source diversification.* New categories of people have been formed: employers and associates, sole traders, unpaid relatives. Although employment is important, it experiences a period of decline and migration from the public sector to the private sector.
- *The persistence of some economic, judicial and institutional elements that keep up the rigidity of the labour market.*
- *Division of the labour market based on the following criteria:* security of the job and unemployment risks, security and amount of earned income, qualification level, syndicate level and power of negotiation. The negative elements, which characterise the division of the Romanian labour market are other criteria and not the quality and competitiveness of labour power.
- *The ratio of the employed, on the one hand, and of the unemployed and retired people, on the other hand, has a great influence on the labour market equilibrium,* considering the principle according to which retired pays and unemployment benefits are supplied by the contributions of those who work.
- *The expansion of the private sector is rather temperate compared with other countries going through a transition period.* The dimensions and the evolution of the private sector proved to be limited and unable to take on labour power dismissed from the public sector, due to privatisation and reorganisation of loss generating companies.

All influence factors have a considerable effect on the labour market: high rate unemployment. The decline of employment did not have a notable impact - as it was expected- on economic performance, creating a functional labour market, and upon the remuneration, the motivation for work and satisfaction from work, as well as upon the living standard of most people. This discouraging process is caused by the fall in our national economy and by employment policy errors of management, mainly because they focused on "curing" consequences and they neglected the causes that brought about these consequences.

No one questions the importance of having a high rate of employment in order to ensure and increase the performances of a national economy. Besides the rate of income, the prices, quality, quantity and variety of consumer goods, economists and politicians agree that we must consider the performances and stability of an economic system from another point of view, as well: its actual state and its perspectives regarding employment, in a dynamic scientific and technologic, economic and financial context. Ensuring a high rate of employment implies paying attention to all factors operating directly or indirectly on it. The changes that arose in the Romanian economy (privatization, technological and structural reorganization, the introduction of mechanism characteristic for the market economy) together with its transition to a new form of organization, lead to new coordinates on our country's labor market. Past evolutions and present characteristics which define the labour market unfortunately reveal a poor management, non-functionalities, structural and global imbalance, incapability to handle the new reality and the needs that appeared during transition. At present, it is considered that

the labour market cannot complete its main function regarding the efficient redistribution of manpower according to sectors, social-professional categories, regions, etc, and it cannot encourage employment or ensure an income from labour.

Processes like the macroeconomic reform, the long term structural crisis, privatization and reorganization resulted in economic involutions and brought about severe disequilibrium on the labour market, thus accumulating a great number of social problems; these problems are also the basic topic of the discussions of social partners and they are considered priority when implementing the transition reform. Even if certain labor market stabilization has been brought into discussion lately, words like "severe unemployment", "the unemployment phenomenon", "atypical forms of employment", "precarious employment" continue to be brought up by specialists in their speeches regarding the present Romanian labour market.

This pessimist point of view can be found in all the estimations made by specialists referring to the available human potential and this is due to multiple deficiencies that persist despite the negative effects that generate them:

- The lack of correlation between the present education system and the need for labour power, the poor chances graduates of various schools have to find their first job;
- The gap between the salary and the work load, the achievements; as a result of salary policies implemented during the transition period, the salary function that regulates the ratio between the demand for job and the offer has deteriorated, leading to less satisfaction and interest in a high quality work, performance and competition, and to the migration of workers towards better paid job, usually across Romanian borders;
- Reduced efficiency of factors reading the responsibility to link the demand for job with the offer, to create and implement viable programmes and strategies which will restore some regions severely affected by unemployment and collective dismissals;
- The persistence of some rigid elements on the labour market;
- An inadequate form of employment seen in a dimension and structure perspective. "The way the employed cover activities of the national economy in a certain period of time is a very good barometer for the evaluation of a country's the social economic development level." [3] If we take into consideration this criterion when analyzing the present employment situation in our country, we cannot miss the uncharacteristic things regarding the high number of people employed in agriculture, compared to the number of people who work in the industrial and services fields. This form of employment opposes the present forms of employment from developed countries and even from the developing countries, where it is normal for

- people who work in the service field to “dominate” the rate of employment in industry and agriculture (thus, in 2001, the rate of employment in agriculture was of 40.9%, while the EU medium was of 4.4%);
- Reduced unemployment rate which is not in accordance with the rise of employment; on the contrary, we witness an increase of the underemployment rate, in parallel with the abandonment of the inland labour market either as a result of discouragement or as a result of labour power migration across Romanian borders;
  - The high taxation level which reacts upon labour power costs and discourages employment. Assessing different forms of income (e.g. salaries) with various social taxes (e.g. retirement contributions) automatically increase production costs and thus the appreciation of the employment rate is obstructed. In extreme cases, these taxes can lead to a slow economic growth against a background with a high volume of unemployment. As far as this aspect is concerned, the economist Edmund Phelps stated that “almost in all European countries the number of the unemployed increased as a result of an extraordinary labour taxation” and “the exaggerated labour taxes, as well as the high rates of taxation of personal incomes proved to be job killers on a large scale”. These facts hold true for Romania as well.

Knowing all the elements which produce tension on the labour market, one can sketch the action coordinates in order to ensure an efficient management of labour market – at a regional, economic branch and national economy level – with its main priority, employment.

In order to make employment an instrument for a functional labor market, the following pragmatic and operational reactions are required, which refer to:

- “The transition from school to work” by allowing graduates from different educational institution on the labour market;
- providing jobs according to the applicants’ school training;
- promoting “permanent/lifelong learning” as a factor of integration and reintegration on the labour market and sometimes as an alternative to employment;
- equal chances/opportunities and treatment on the labour market;
- the implementation of a labour market, educational and training informational system the main objective of which is starting and maintaining a functional and efficient relation between the economic demand and the social demand for qualifications and competences, at an individual level and at the society level;

- re-equilibration of employment structures, demographic structures (age, sex), of sectors and activities (branches/sub-branches), of the professional and occupational status, of the income and salary structures;
- changing the mentality and behaviour of all social actors who are present on the labour market and that are directly interested in the dimensions and the tendencies of employment, unemployment, salary, partnership and social dialogue;
- avoiding de-capitalization of human potential caused by underemployment, under-use, abandonment of labour market as a result of discouragement and hopelessness of finding a job;
- the appreciation of the efficiency and competitive characteristic of specialized institutions and of the personnel responsible for the human resource management;
- preventing and fighting severe unemployment;
- directing employment policies towards the promotion of active employment measures and focusing on disfavored groups;
- continuing and deepening of the labour market reforms;
- coherence and coordination of the economic, fiscal, educational and social policies package, at European level.

Reviving employment must be a priority and a necessity. In the actual context, most of the job opportunities and the rise of employment depend on:

- a) the increase of productivity, of the characteristics and of the competitiveness of each job, company, sector, and of the economy on the whole;
- b) the rise of global and individual income, thus the economy is able to stimulate and encourage employment;
- c) the justified request of economic agents (firms and husbandries) to become support factors for economy, investments and production development, as well as for the functionality of the internal market.

*The most important way to drive up employment is creating jobs.* In this respect, investments and consumption are the basic elements for a favourable development of employment. The importance of investments – “the motor of economic development” – lies in the packages of measures and programmes elaborated on a national level which have as objective the re-launching of the investment process, the main factor for the income raise, for the technological reorganization and for the management of positive effects in economy through current requirements of the population.

Extending the dimensions of employment, increasing the mobility and flexibility of the labour market, creating a new productive potential which is better trained professionally, are

just some of the priorities of the employment policies at a national and European level; they work under the slogan "lasting jobs and quality jobs for well-trained man power".

In conclusion, we note that it is necessary to pay the same attention both to the quantitative, structural and qualitative aspect and to the efficient use of man power – this latter aspect is, unfortunately, often forgotten by specialists. *The dimension and structure of man power are important; the efficient use of man power is also important.*

The efficiency of labour power is a basic requirement, indispensable for the economic growth. It cannot be regarded as a simple form, like any other market. The arguments can be understood if we consider the complexity of the new labour market, the fact that its object is completely special "merchandise" - man power; on the other hand, we should consider the strategic place the labour market has in the market system, receiving impulses from other markets, and sending impulses to other markets, in its turn; the labour

market favors or restrains economic development, the transfer of economic and social tensions in the entire society.

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