

PUBLIC POLICIES FOR FLEXIBILITY CONCERNING THE EUROPEAN MARKET OF HUMAN RESOURCES

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Abstract:

The measures of improving the problems of the human resources market, proposed with the occasion of the many reunions of the macro-managerial factors in the EU countries show that the European authorities have not already tackled in an adequate manner the real nature of these problems even before the world financial crisis. The deterioration of the world economic climate, including the European one, as a consequence of the reverberations of the financial crisis has implicitly led to the unemployment increase according to the statistical data supplied by the International Organization of the Labour and EUROSTAT. Regarding the proposals of improving the situation of the west-European work force market we observe a lot of controversies, but the need of referring to the policies for flexibility is invoked by the majority of the theorists and of the practitioners of the human resources macro-management, even in the context of the world financial crisis.

On the basis of this work elaboration have been the empirical research, the dynamical and comparative statistical methods, the research using also the theoretical-scientific base.

Key-words: human resources, unemployment, labour market, labour force, wage.

JEL Classification: O15, J64

1. PRELIMINARIES

The measures of improving the problems of the human resources market proposed with the occasion of the many reunions of the macro-managerial factors from the EU countries show that the European authorities have not already tackled in an adequate manner the real nature of these problems, so that, as a consequence, they haven't already succeeded in accomplishing pertinent political programs which can determine the meaningful diminution of the high level of the unemployment rate which exists even before the anchoring of the present world economic crisis.

The acceptance of the intervention programs adopted until the European level comes partially from the idea that the unemployment is “*a calamity due to causes that escape from the government control and maybe from the profit growth and generally, from the inequalities in income assessment*”. (1)

The deterioration of the European economic climate, as a consequence of the reverberations of the financial crisis has determined the European Central Bank (ECB) to reduce the interest rate of the monetary policy with 0.5 percent points, in the attempt to protect the European economy against several effects of the recession. The rate of the key interest has been reduced to 2%, the most reduced level so far. The ECB action is a signal of the growing preoccupation for the European countries economy, which could point to a recession as serious as the one that has already affected the United States and the Great Britain. (2)

In the same context, the International Organization of the Labour (IOL), in the Global Employment Trends report, warns that, this year, the present economic crisis, signalled at the global scale, could result the reducing 51 million jobs, then when we will have 230 million unemployed people in the world, and the global rate of the unemployment will reach 7.1%. It would be for the

first time after 1991 when at the global level would be more than 200 millions unemployed people. IOL states that, according to the estimations made so far, before starting to quiet down, the present crisis will extend even more. According the most optimistic script for ecast by IOL, the global unemployment rate will be of at least 6.1%. In this case, at the end of this year there will be 198 millions unemployed people, with 18 million more than at the end of 2007. The unemployment rate of 6.1% will register only if the stimulating financial packs will prove efficient. But IOL considers that, before improving, the situation will get worse. Moreover, the people who will succeed in keeping their job, will receive smaller wages and the workplaces will become less secure (3).

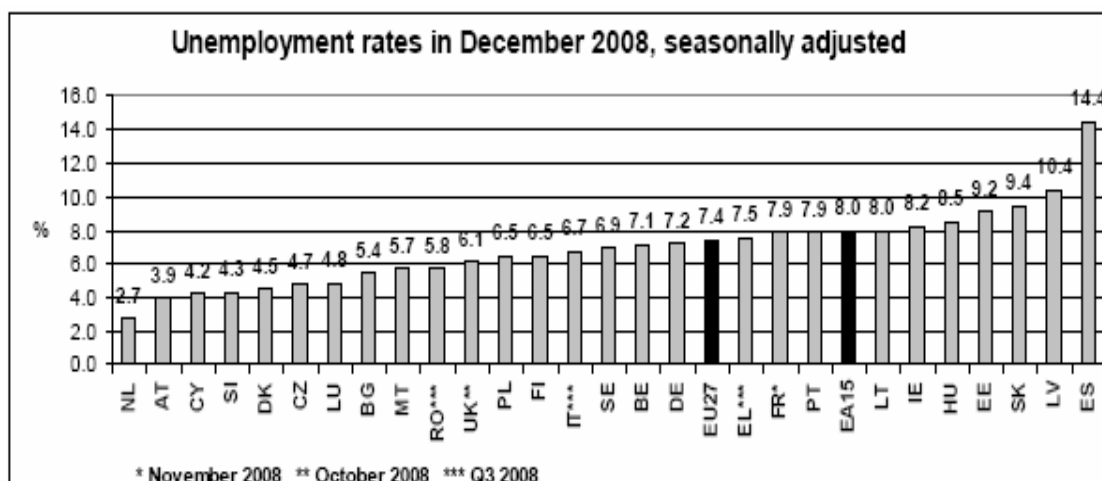
At the European level, according to Eurostat (4), in the euro area – EA15 – (5) the unemployment rate (6) has an increasing tendency, registering 8.0% in December 2008, in comparison with 7.8% in November 2008, and 7.7% in October of the same year (7).

This one was 7.2% in December and in November 2007. The unemployment rate – EU27 – (8) was 7.4 in December 2008, in comparison with 7,2% in November 2008, 7.1% in October 2008 and in November 2007 it was 6.9%, rate which was about to drop in December 2007 to 6.8%.

Eurostat was estimating for December 2008 a number of 17.911 million of unemployed men and women in EU27, of which 12.472 million in the euro area, higher values than those estimated (17.466 million in EU27 of which 12.180 million in the euro zone) and compared with the real values from November 2008, 17.602 million of men and women in EU27, of which 12.242 million in the euro area.

Compared with December 2007, the number of the unemployed people has grown with 1 665 000 in EU27 and with respectively 1 397 000 in the euro area (9).

Table no. 1.



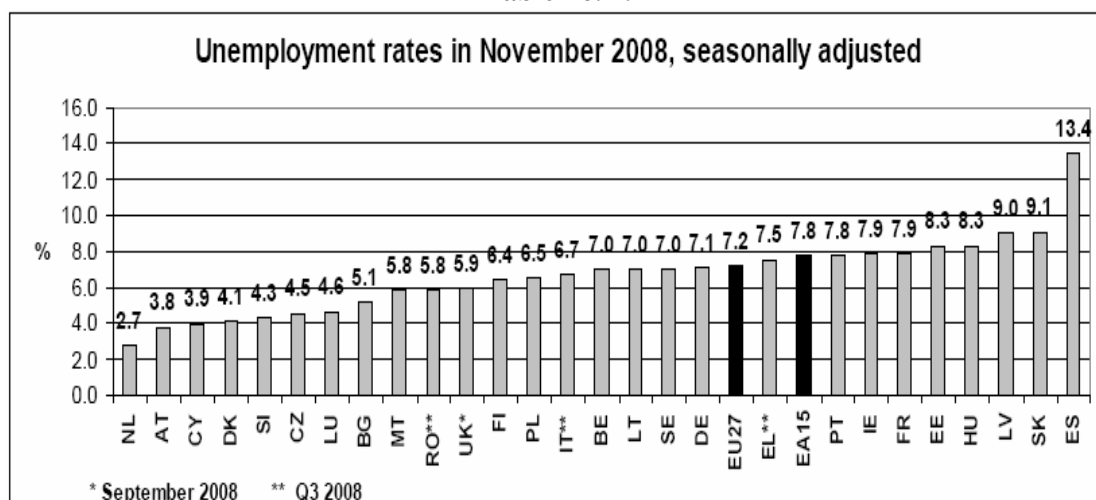
Source: EUROSTAT

Among the member states, the lowest rates have been registered at the in December 2008 in Holland (2.7%) and Austria (3.9%), and the biggest ones in Spain (14.4%) and Latvia (10.4%).

In the same month (December), in comparison with the precedent year (2007), 9 member countries registered the drop of unemployment rate, 14 of those registered growths and 4 remained stable. The biggest drops have been observed in Poland (from 8.2% to 6.5%) and Slovakia (from 10.3% to 9.4%), and the biggest growths have been registered in Spain (from 8.7% to 14.4%) and in Estonia (from 4.1% to 9.2%).

In November 2008, the lowest rates have been registered in Holland (2.7%), Austria (3.8%) and Cyprus (3.9%), and the highest ones in Spain (13.4%), Slovakia (9.1%) and Latvia (9.0%).

Table no. 2.



Source: EUROSTAT

In the same month (November), if compared with the precedent year, 13 member states registered a drop of the unemployment rate and 14 among these registered growths. The biggest drops have been observed in Poland (from 8.5% to 6.5%) and Slovakia (from 10.5% to 9.1%), and the biggest growths have been registered in Spain (from 8.5% to 13.4%) and in Estonia (from 4.1% to 8.3%).

The unemployment rate for men grew from 6.4% to 7.6% from December 2007 until December 2008 in the euro area and from 6.3% to 7.2% in EU27. The unemployment rate for women grew from 8.1% to 8.5% in the euro area and from 7.4% to 7.7% in EU27.

Still in December 2008, the unemployment rate among young people (under 25 years) has been of 16.4% in the euro area and of 16.6% in EU27. In December 2007 this one was of 14.5% and, respectively, 14.7%. The lowest rates have been observed in Holland (5.3%) and Austria (6.9%) and the highest ones in Spain (29.5%) and Hungary (22.5%).

In December 2008, the unemployment rate was of 7.2% in the USA, compared with 6.7% in November 2008. In Japan it is registered in November a rate of 3.9%.

In order to explain the growing or the constant rate of the unemployment in the European Union countries, apart from the imminent causes of the world financial crisis, we discovered a lot of possible causes which are differ varying with the politic orientations.

2. THE "PROFILE" DIFFICULTIES AND THE SEARCH OF THE REMEDIES

Regarding the proposals of improving the situation on the west-European labour force market we notice a lot of controversies, and the need to refer to the policies for flexibility is invoked by the majority of theorists and practitioners of the human resources macro-management, even in the context of the world financial crisis.

"Today, we don't realise that the American idea about the labour market, applicable in Europe too on a large scale, even if it were possible, it doesn't blur the fact that the *State-Providence* systems adopted in Europe are inspired from very different cultures and from different modalities of interpreting the principles of solidarity and equality.

Nevertheless, in order to fight against the unemployment we should introduce a greater flexibility in the European labour markets, together with, there where it is necessary, an adaptation of the legislation regarding the employee security, a growth of the territorial transparency of the agreements on the collective negotiations, a policy of *opening the gates* of the enterprises and of putting into practice the measures that facilitate the territorial mobility of the labour." (Fr. Modigliani, 1999).

But, from objective reasons, the policies in favour of the flexibility of the labour market, in contradiction with the macroeconomic administration, cannot be adopted in an unitary manner by all the European states, they must be adapted to the particular situations from each country and from each area.

In Europe, the unemployment problem doesn't have a homogenous feature and it varies according to the regional peculiarities. The differences which exist on the labour market in the different European states are due, to a great extent, to the uniformity of the wages imposed by the trade-unions or by the habits, to the negotiations at national level, to the passing -by of the evident differences of productivity between the various regions.

For putting an end to such situations, we have to create the adequate environment for applying the differentiate policies which must take into account the regional differences in the labour force cost per working hour and they have to reflect the regional differences of productivity.

However, in order to obtain a wide consensus regarding these reforms, they must be accompanied by measures to compensate the negative effects on the income distribution. Nowadays, we agree on the fact that it is very difficult to make radical reforms on the labour market, even if they have evident effects on the redistribution of the income to certain social groups.

Frequently, the most radical aspects of the reform packs are confronted to the tough opposition of the most affected groups. In order to remedy these difficulties, it is necessary to offer compensations to the most affected persons.

As regards the correlation of the wages with the productivity, it is fundamental to emphasize not on reducing the wages, but on reducing other necessary costs for obtaining the “finite” product.

We can also remark that in certain areas, there where the unemployment rate has a high percentage, the inferior level of the productivity and the higher rates of the unemployment can be explained by the absence of the managers and/or of the financial policies which aren't favourable to the investments. In the less developed areas it is considered that we should adopt more efficient policies for encouraging the new enterprises for supporting the small and medium enterprises the development of which can be accelerated through directional measures, specific to the respective territory.

Even so, it is also necessary the introduction of several reforms concerning the industrial districts which could enhance and develop their capacity and dynamism. *The number 1 objective* of these measures cannot be situated outside the creation of the organisms of assistance in the administrative, fiscal, financial and technological domain.

As regards the new technologies, we must emphasize on the importance of the reorganization and of the expansion of the organs destined to the workers' formation, and of the diversification of the changes between the enterprises and universities or research institutes.

Another common feature of a great number of underdeveloped areas is the credit restriction and the high levels of the interests which disadvantage, in general, the recent small and medium enterprises. A common situation to the Romanian economic situation too, these reclaim the difficulties the young managers are confronted with when making the files for small loans, of the risk rate and of the monopoly, practiced, in fact, by the local banks.

In these areas, the difference between the active and the passive interests is, in most cases, enormous and quasi-injunctive, fact which discouraged the small enterprises and their renewal initiatives.

3. POLICIES FOR FLEXIBILITY IN THE HUMAN RESOURCES DOMAIN

Form the large inventory of reforms proposed by the occidental economists (among these, Fr. Modigliani, B. Moro, D. Snower, R. Solow, A. Steinherr, P. Sylos Labini), to whom we totally subscribe, a great number of them being adequate to the Romanian economy too, we select the following measures, considered more representative:

- A policy of forming the labour force and of reforming the goods market capable to reduce the barriers which block the forming of the labour force. We have in view, for example, an efficient fiscal reform and a *milder* legislation, which, at the moment, blocks the enterprises, “limits” the land usage and “hinders” the free circulation of the products on the market, but also measures to avoid “blocking” the flexible labour schedule or the part-time schedule.

They contribute not only to the re-employment of some people who are now unemployed, but also to the support of the enterprises in the sense of restructuring their production capacities and of improving the activity of the human resources compartment in accordance with the new progresses registered in the flexible production and information technology domains. The rigid regulation of the labour contracts performed nowadays in many European countries, deserves a peculiar attention for the definition of the market labour reforms.

- A reform of the minimal wage. The institution of the minimal -contractual- wage is problematic because it is a potential source for the unemployment. At present, we cannot request its abolition because the aim of guaranteeing a minimal life standard for the full -time workers must be defended. The problem comes from the fact that the present legislation levies a tax to a minimal wage level, superior to the one that can encourage the managers to absorb the labour force in excess which is formed at this level.

When this happens, the only way to solve the problem is to create an equilibrium between the labour force cost and the remuneration received by the worker. In fact, this kind of difference already exists, but in the direction opposed to the desirable situation to the extent in which the labour force cost is already much bigger than the plain wage which appears on the pay list; in the European countries, this difference represents even 50% from the labour force cost.

In Romania, the plain average salary has been of 1.361 lei in November 2008, with an increase of 2,6% (34 lei) compared to the anterior month of 2008 and with 2 1,4% compared to the same month of the year 2007, according to the data of the National Statistics Institute (NSI).

The greatest values have been registered in the air transporting activities (3.373 lei), and the smallest ones in clothes fabrication (768 lei).

As against October 2008, the greatest wages increase, of over 10%, have been registered in the industry of calculation techniques and office means (11,1%), respectively in health and social assistance (10,5%), while the most important wage drop, of over 7%, have been in the metallurgic industry.

Form a nominal point of view, against 2006, in 2007 the Romanian wage earners' incomes grew with 25,5%. As regards the wages increase adjusted with the inflation, Romania occupies the third place among the EU countries (Eurofund, 2008). In this top, the first place is occupied by Latvia with a medium wages increase of 2007 of 18,3% compared with 2006. Romania is after Lithuania and it has registered in the same period a wages increase with 12,2%. If we have in view the evolution of the wages in the period 2003 -2007, we notice that the EU countries divide into five categories. Romania, together with Bulgaria and the Baltic Countries, is classified in the group of the countries in which the wages had a very significant increase, with 4% over the annual average. We have then the group with important increases (between 2% and 4%) – Poland and that with medium increases (between 1% and 2%) in which are included Finland, Greece, Ireland, Sweden, The Great Britain, the Czech Republic and Slovakia. Other two groups include the countries with little increases (under 1%) – the EU nucleus (15) plus Hungary and Malta and those with “zero or negative increase”, that is Cyprus, Germany and Slovenia. If we are to consider the data from 2007, regarding the minimal wage, it increased in Romania (in 2007 compared with 2006) with 18%, but with an absolute value, the minimal wage appears to be very reduced compared with the minimal wages from the other European countries. For example, compared with 131, 92 euro (440 lei), the value of the minimal wage in Romania in 2007, in Luxemburg “the minimum” was 1.570 euro, in Belgium-1.283 euro, in Estonia-288 euro. In the end, we have to mention the fact that starting with 1 January 2009, according to the Governmental Decision no. 1051 from 10 September 2008, the minimal gross wage is 660 lei. Within the Agreement regarding the minimal wage value it is

forecast that the minimal gross wage, in 2014, will have a value of 1 325 lei, representing 50% from the average gross wage per month, at the moment this percent being of only 31% (10).

The extension and the generalization of the labour on determined periods and with part-time schedule favors the young people and the women, so the chances to find an employee are often related to these forms of more flexible contracts. In most cases, the present regulation prefers only the labour contract on undetermined period, with a fixed schedule, which is actually much less flexible.

A reform of the legislation regarding the employee's security which could reduce the report between the costs of the dismissal and the minimal wages. In the specialty literature there have been already formulated critics for the politicians which, by defending the employee's security, led to a blockage situation, in which the dismissal became practically impossible.

Even if in general the situation has improved, it is obvious that in many European countries the existing institutions still contribute to the aggravation of the unemployment problem discouraging the enterprises in employing workers on undetermined period, even confronted with an acute application. The measures destined to reduce the unemployment must be preceded by a vast reform of the legislation regarding the employee's security.

This last point is extremely interesting as regards the young people's unemployment which, in many countries, according to the EUROSTAT indicators which have been introduced, constitutes a serious problem. Considering these reforms as essential, we often say that attentively choosing the moment of their application is important. The actual state of facts condemns a great number of persons to join the unemployed people, thus provoking an increase of the unemployment rate instead of diminishing it. As a consequence, this initiative is confronted with the tough opposition of a certain part of the trade-unions which could succeed in defending the statu quo.

However, the respective reforms should be introduced when the conditions on the labour market will be more favourable and harmonized with policies such as:

- Policies which stimulate the search of a job together with reducing the costs of this research. These ones could mean the developing of the activities of offering advices regarding the types of job or by informing on the available jobs.
- Policies of stimulating the workers' mobility which to facilitate, for example, the passing from an institution to another of the rights to pension and of the medical insurances.
- The reforms of the allowances for unemployment. The systems of the allowances for unemployment should be reformed in the sense of stimulating the unemployed people to search a job when there are available jobs, guaranteeing, at the same time, a minimal income when there aren't available jobs.

We must also say that, even if the putting into practice of the microeconomic policies is a problem which addresses especially in an individual manner the member states, these states, on the whole, have a common interest in defining the employment policies and in assuring that these policies are widely and vigorously applicable and applied.

This relies on the consideration that, by increasing the mobility of the production factors within the EU and due to the community laws of free access to the labour market and the transnational concurrence market, the level of the real subvention in defining the employment policies doesn't exclusively stop to the level of the member states.

Each of them has a real and concrete advantage (the unemployment decreases in the other states through the fact that it itself contributes to the decrease of the unemployment).

This is the reason for which the European Commission must apply a juridical and institutional structure which allows the making of the necessary reforms on the labour market, needing to ensure that these reforms will be rapidly made.

4. CONCLUSIONS

A solution to the unemployment problem in the EU should be concentrated upon two axes: a wide range of policies regarding the job offer and a policy of managing the demand.

The global increase of the demand is necessary for obtaining the correlative increase of the investments. However, if we don't adopt at the same time the measures regarding the job offer, the increase of the demand can determine a recrudescence of the inflation and not an increase of the jobs number, due to an imperfect correspondence between the demand and the offer.

We should also emphasize on the fact that the demand and the offer policies are complementary and they must be simultaneously adopted by all the European states for avoiding the phenomena of competitive displacement and for exploiting all the positive effects which this complementary situation could produce.

NOTES:

- (1) Franco Modigliani, (holder of the Nobel Prize for economy), *Manifeste contre le chômage*, BNL Quarterly Review, 1998 .
- (2) <http://rador.srr.ro> – (BBC WORLD SERVICE)
- (3) <http://www.capitalul.ro> – The world economy could lose 51 million jobs in 2009, <http://rador.srr.ro> – (BBC WORLD SERVICE)
- (4) According to the Eurostat norms for the data semination, when the EU and the euro zone enlarge, the total data series refer to the official components of the euro zone for the most recent months in which the data are available. So the Informing Communications having the monthly data until December 2008 we will analyze the EA15 series, while the data beginning with January 2009 analyze the EA16 series.
- (5) The euro area (EA15) consists of 15 Member States up to 31 December 2008: Belgium, Germany, Ireland, Greece, Spain, France, Italy, Cyprus, Luxembourg, Malta, the Netherlands, Austria, Portugal, Slovenia and Finland. From 1 January 2009 the euro area becomes (EA16) by including Slovakia.
- (6) Eurostat harmonises the unemployment rates for individual EU Member States, the euro area and the EU. The unemployment rates are based on the recommendations of the International Labour Organisation (ILO). The measurement is based on the source called the European Union Labour Force Survey (LFS).

Based on the ILO definition, Eurostat defines unemployed persons as persons aged 15 to 74 who:

- are without work;
- are available to start work within the next two weeks;
- and have actively sought employment during the previous four weeks.

The unemployment rate is the number of people unemployed as a percentage of the labour force. The labour force is the total number of people employed plus unemployed.

The number of unemployed and the monthly unemployment rates are estimated based on the results of the LFS which is a continuous unemployment which takes place out in all countries on the basis of agreed definitions. The results are interpolated/extrapolated to monthly data using the national survey data and/or the national monthly series on registered unemployment. The most recent figures are provisional; results from the Labour Force Survey are available 90 days after the end of the reference period for most Member States.

Monthly unemployment and employment series are calculated first at the level of four categories for each Member State (males and females 15-24 and 25-74 years). These series are seasonally adjusted and all the national and European aggregates are calculated.

Member States may publish other rates categories or other correspondent surveys. These rates may vary from those published by Eurostat due to different definition or methodological choices.

Current deviations from the definition of unemployment in the EU Labour Force Survey are identified in: Spain, Italy, and the United Kingdom: Unemployment is restricted to persons aged 16-74. In Spain and Italy the legal age limit for working is 16 and in the Netherlands: Persons without a job, who are available for work and looking for a job are included in unemployment only if they express in a “clear” manner the desire to work.

- (7) In October 2008 the unemployment rates for the euro area and the EU27 published in News Release 167/2008 of 28 November 2008 remain unchanged. Among Member States, the rate has been revised by more than 0.1% for Belgium, Estonia, Ireland, France, Luxembourg and the Netherlands. Larger revisions (of more than 0.4%) have been registered in Bulgaria, Denmark, Latvia, Lithuania, Austria and Slovakia. The revisions are primarily caused by the inclusion of the most recent EU Labour Force Survey data in the calculation process.

The LFS data are used in the calculations of the monthly unemployment rates published in this News Release: For Germany, Finland and Sweden up to and including November 2008. For the Netherlands up to and including September-October-November 2008 (3-month rolling average). For the United Kingdom up to and including August-September-October 2008 (3-month rolling average). For Belgium, Bulgaria, the Czech Republic, Denmark, Estonia, Ireland, Greece, Spain, France, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Hungary, Malta, Austria, Poland, Portugal, Romania, Slovenia and Slovakia up to and including the third semester of 2008.

- (8) EU27 includes: Belgium, Bulgaria, the Czech Republic, Denmark, Germany, Estonia, Ireland, Greece, Spain, France, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Hungary, Malta, the Netherlands, Austria, Poland, Portugal, Romania, Slovenia, Slovakia, Finland, Sweden and the Great Britain. For Sweden, we have in view provisional data: the Swedish Labour Force Survey was forced to take further account of the EU methodology in April 2005. This may affect the reliability of the seasonal adjustment.
- (9) The figures are published by Eurostat, the Statistical Office of the European Communities.
- (10) Bostan I., "Salariul în ecuațiile macroeconomice" (I and II), in Ziarul de Iasi, the Economy section, from 1 and 8 September 2008

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