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Revista de cercetare și intervenție socială

Review of research and social intervention

ISSN: 1583-3410 (print), ISSN: 1584-5397 (electronic)

Selected by coverage in Social Sciences Citation Index, ISI databases

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Revista de cercetare și intervenție socială, 2010, vol. 28, pp. 115-123

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Published by:

Lumen Publishing House

On behalf of:

„Alexandru Ioan Cuza” University,

Department of Sociology and Social Work

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The labour market and the social approach of unemployment

Lavinia Elisabeta POPP¹

Abstract

The economic and social development is fundamental for the existence of the human factor, who occupies the most important place in the set of production factors, being, beside nature, an “origin” factor. The existence and progress of society is assured if the interaction of the two terms - population and economy – met certain quality and dimensional characteristics, one of them referring to the degree of use of the labour force. The reorganization of the Romanian socio-economical system, in conformity with the market economy demands generated inmost changes in the labor market including the unemployment occurrence as a mass phenomenon. The unemployment, negative phenomenon of the socio-economical space and main factor of economical instability and social conflicts as a consequence, is neither uncontrollable nor has a unique way of development if adequate correlated measures are promoted by acting competently. One of the essential objectives of the socio-economical policies in Romania is a place of work guaranteed and a decent level of living.

Keywords: legislative harmonisation, the labour market, social policies, the unemployment.

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Introduction

Employment represents a priority goal and efforts are made in order to adapt the Romanian system to the European Employment Strategy, elaborated in Lisbon in 2000, which co-ordinates the employment policies at the community level. The compatibility of the Romanian legislation with the community access is established by the Romanian normative acts transposing the *acquis*, the eight domains being transposed quite totally and taken into account in the Romanian legislation. The degree of legislative harmonisation in the domain of social policies and employment is presented in the following table:

Table no. 1. Legislative harmonisation in the domain of social policies and employment

| | Degree of transposition % | Degree of compatibility % |
|---------------------------------------|---------------------------|---------------------------|
| Labour legislation | 88,8 | 88,5 |
| Social dialogue | 100 | 100 |
| Equal opportunities for women and men | 100 | 91,5 |
| Antidiscrimination | 100 | 100 |
| Employment | 100 | 100 |
| Social security | 100 | 100 |
| Handicapped persons | - | - |
| Labour health and security | 95,6 | 98,9 |
| Total | 94,2 | 94,2 |
| Labour legislation | 88,8 | 88,5 |
| Social dialogue | 100 | 100 |

Source: *The European Institute of Romania – Impact Studies (PAIS II)*

Thus, in 2001, the first Action Plan in the field of employment was drawn up, i.e. PNAO, the Programme for the stimulation of employment and unemployment reduction (transposing the Resolution no.99/312/EC regarding the guiding lines in the field of employment). A priority measure for the European integration was constituted also by the National Action Plan in the field of Employment – PNAO 2006, focused on the process of elaboration of policies regarding the labour market, measures of implementation of employment policies, increase of employment in the rural area and the insertion into the labour market of the persons of Roma ethnic origin.

These actions are co-ordinated by National Agency for Employment, monitored through the performance indicators furnished by the county employment agencies. The ANOFM, aiming at applying the PNAO, elaborated normative acts with the purpose of creating new jobs and stimulation the labour force mobility.

In the same line, Law no.76/2002 regarding the system of unemployment insurance and stimulation of employment, and the Government Decision no.174/2002 regarding the methodological norms for the application of Law 76/2002 stipulate the increase of the importance of active measures for fighting against unemployment, the financial support of the employment of the unemployed for community works, as well as advantageous loans for the SMEs. The Government also adopted the Decision no.759/2002 regarding the National Plan for Employment. Romania has revised its national policy in the field of employment, identifying the priorities related to the employment policies and labour market, in accordance with the European Employment Strategy. Among the important documents regarding employment we can list the following:

- The new Action Plan for Employment for the period 2004-2008, based on the European Employment Strategy and Guiding Lines in Employment, according to the Common Document of Evaluation of Employment Policies (The Joint Assessment Paper – JAP).
- The Agreement Memorandum regarding Romania’s participation in the programme “Community stimulation measures in the field of employment” (January 2003). The legal frame was set based on the Frame Decision no.1/2000 of the Association Council Romania – EU.
- The Labour Code, the law setting the general principles governing the labour relations, elaborated in co-operation with the representatives of the owners’ confederation and trade unions. In the new Labour Code (1 March 2003) the following domains were harmonised with the acquis: part-time labour, the labour contract for a determined periods, protection of youth in labour, organisation of the working time, collective lay-offs, information of workers on the conditions applicable to the contract.

The main issues related to the labour market and the national strategic priorities of the employment policy were highlighted in the National Employment Strategy 2004 – 2010, establishing the action field and their expected results.

In order to develop a flexible system of lifelong professional training, one elaborated the short- and medium-term Strategy for lifelong professional training, able to assure the increase of adaptability, the capacity to be employed and the mobility of the labour force (Sandu, Cojocaru, Ponea, 2010).

Legislation in the domain of labour health and protection-the transposition of European directives is observed, and the Ministry of Labour, Family and Equality of Opportunities established the directions of action for the labour protection and security. The control of the legislation observance is done by the labour inspection.

Law no.90/1996 regarding labour protection is the basic law in the field of labour health and protection. The law defines the organisational frame of the labour protection and the liabilities regarding the co-ordination and control of this

activity transposing the frame directive no.89/391/CEE. The general norms of labour protection were approved thorough a Common Order of the Minister of Labour, Family and Equality of Opportunities no.508/2002 and of the Minister of Health no.933/2002. Through this normative act one transposed the stipulations of 20 European directives among which 14 are basic directives.

The National Commission for the Employment Promotion, set up through Law no.76/2002, aims at elaborating strategies and policies for the increase of the level and quality of employment and for the development of human resources. The commission is the liaison organism with the Committee for Employment and Labour Market (Directive 97/16/CE) having the role of correlating the national strategies with the European ones. Other normative acts of social interests are: Law no.429/2003 for the revision of Romania's Constitution, Law no.53/2003 – the Labour Code .

By the decentralisation of the administrative decision in the domain of labour relations the social partners are involved in the co-ordination of the social policies regarding professional training, employment, social assistance and protection.

Law no.202/2002 regarding the equality of opportunities between men and women contains measures of sanctioning sex discrimination and stipulated the equality of rights regarding the access to employment, professional training and promotion, being approximated with the Council's Directives 75/117/CEE, 76/207/CEE, 79/7/CEE and the Commission Decision 95/420/CE.

The social approach of unemployment

The transformation of the growth-unemployment relation triggers a change of the economic and social policies. In a first stage, after the first oil shock, one still believed that a stronger growth would constitute the basis for an employment policy. But the confrontation with an unemployment more and more independent on the growth rate led rather to the direct action in the domain of unemployment, either by reducing the labour supply, or by stimulating the job creation. The measures adopted in this respect mostly reveal a social approach of unemployment.

The reduction of the labour supply passed through several measures:

- prolonging the education and training period in order to delay the entry of young people into active life;
- reduction of the retirement age and pre-retirements in order to reduce the duration of the active life and to free jobs for the youth;
- reducing the labour duration in order to limit the labour quantity that each individual can provide to his / her employer and creating thus the need of supplemental employees;

- developing the training stage for the young people leaving the school system without a qualification or who are in need of professional re-conversion (Cojocaru, Cojocaru, Bunea, 2009);
- creating small “public businesses” employing, for the moment and part time, the unemployed (especially the youth) with collective job tasks (cleaning and supervision of public gardens, assistance of the use manner of public goods);
- increasing the social income for the mothers who stay at home.

The state attempted to stimulate the labour demand by reducing or temporarily suppressing the social obligations of the employers hiring unemployed people, or partially taking over the costs for the employees’ training and education.

In a first stage the new employment policies were largely inspired by a logic of labour division that can be briefly presented as follows: the growth is no longer the remedy for employment, we must consider the number of available jobs as being a given and we must divide this fixed number of jobs among as many persons as possible.

The division is made at two levels. A first division, between generations, leads to an early employees’ exit from the active life in order to clear the place to the youth. The second division, between employees and the unemployed, consists in reducing the working time of those who have a job in order to make place for those who don’t. We may remark that this strategy did not produce important effects on employment and unemployment. Many countries encountered serious difficulties in implementing the policies of labour division, especially of reducing the work duration.

In Europe, in the mid ’80 and until the beginning of the ’90 the resistance of unemployment both to conjectural policies and to the specific employment policies made sometimes governments adopt openly or not an approach of unemployment. Unemployment is considered to be a medium-term unavoidable fatality. It must be accepted, the role of the State is to attenuate the phenomena of social exclusion associated to unemployment; the unqualified youth are employed at any rate for the old unemployed, financial and material assistance is granted in the most dramatic cases. For the government these policies have the merit to reduce rather artificially the official figures of unemployment. One will end by admitting that the social treatment of unemployment risks to transform exclusion by institutionalising it, to delay the implementation of the true employment policies and sometimes it wastes funds that could be use for the financing of the real job creation.

According to the definition given by the International Labour Bureau (organisation from the UNO system elaborating statistics, studies and analyses in the domain based on the information supplied by the member states, aiming at better knowing both the phenomenon at the experience in the fight to eliminate it), an

unemployed person is a person aged 16 and above, simultaneously meeting the following conditions: is apt to work, does not work, is available for a paid job, is in search of a job. Although the meeting of these conditions brings many clarifications, it does not limit in totality the risk to exclude from the ranks of the unemployed certain persons who, in fact, have no place to work.

There are not objective criteria defining the effective search for a job. The registration on a list of job applicants does not guarantee that the individuals make real efforts in their search for a job. The other way round, the unemployed actively looking for a job can very well be absent from any evidence. In general an individual is not considered to be unemployed if he/she is not available within 15 days. We ask ourselves why 15 days. It is the reason why the economic theory never participated practically in the rather frequent debate on the measurement of unemployment, this debate is political and without real interest for the economic and social analysis. A more precise definition of unemployment could be useful only if a precise measuring of the number of unemployed persons were really important for the economic and social policy. Or this is not the case. The number of unemployed persons does not provide essential information regarding the efficiency of the labour market.

In Romania's present social and economic context, in the process of transition to the market economy, unemployment affects large professional groups and represents a real psychological and cultural shock for the people used to having an easily found job and maintained even more easily. Being a complex phenomenon, generated by the misbalance of demand and supply on the labour and food market, unemployment constituted a subject of research for a series of sociologic, economic and demographic subjects and fields. Thus, the specialists in sociology together with the decision makers involved in the solving of the issues of social assistance and protection of the unemployed monitor the unemployment phenomenon under the aspect of the proportion of different age categories of ages of the affected persons, level of training, sex, domain of activity, geographic areas, consequences of this phenomenon as well as application of certain social individual or group therapies necessary to the overcoming of this situation.

The ways of enabling the existing labour force to adapt to the new structures are, on the one hand, requalification, polyqualification and recycling, and on the other hand, the change of attitude towards work, active orientation towards searching, finding and keeping a job, the cultivation of initiative of every person to define a useful activity able to provide him / her with the resources necessary for a dignified living. The orientation of individuals and groups on the labour market can be done by specialists in the psycho-socio-economic and legal field through information, mediation and professional training.

Considering that the main goals of reform, related to the labour market, are represented by the increase of the living standard by getting closer to the models

of western European market economy model, the increase protection of individual rights and liberties, the freedom of circulation, the free access to information and the freedom to use it, the improvement of the system of education and professional training, reduction of unemployment and poverty, it follows that the decision makers in the social and economic domain have an important role in: balancing the demand-supply ratio on the labour market; elaborating strategies of economy development and of efficient employment policies; creating the institutional frame and the legislative initiatives aiming at increasing employment.

The unemployment rate can increase because the labour mobility is more powerful, and as the duration of unemployment is not changed in the sense of the increase, it is a sign of a higher efficiency of the labour market because it intervenes to replace during the same period a higher flow of workers. The other way round, the unemployment rate can simply change because the labour market slower and slower reorients an identical flow of entries in unemployment. The true problem of the labour market is the under-employment, if the factor labour is fully used or not, i.e. if it is used in condition able to guarantee the maximum productivity. Thus, unemployment is not a clear measure of this underemployment.

Any reduction of unemployment limits the labour supply available on the labour market: the active workers are less subjected to the competition of the unemployed and can more easily ask for higher wages; employers have more difficulties in finding the necessary labour force to respond to the pressures of demand, they compete against one another in order to attract qualified workers and they must offer them more attractive wages. On the opposite, if the economic or conjunctural policy reduces the activity and make unemployment more serious, wages grow more slowly. Wages tend to grow more rapidly when unemployment is low and more slowly when unemployment is higher.

This inverse variation between the unemployment rate and the wages variation rate constitutes Philips's curve (1958), from the name of the economist who was the first to establish this long-term relation in the UK. Numerous papers confirmed the existence of these relations for most industrialised countries. Very rapidly, Philips's curve was presented rather under the form of an inflation- unemployment relation. Beginning with the '70 the context where the economic and social policies are applied has differed almost totally from that of the previous years. The world economy is changing its model and growth rate. The inflation – unemployment dilemma seems to disappear and make place to the following dilemma: simultaneous inflation slowed down activities and unemployment. Beginning with the '60 for most industrialised countries the correlation reflected by Philips curve has disappeared. Instead of confronting the two phenomena by excluding each other (either unemployment or inflation), the public powers are faced to two phenomena getting more and more serious at the same time, i.e. unemployment and inflation. This leads to stagflation, i.e. the association,

impossible before, between the characteristics of the economic stagnation (slowing down of activity and unemployment) and inflation.

From the perspective of the economic policy it is supposed that no stable arbitration exists between inflation and unemployment; one cannot obtain less unemployment by tolerating more inflation, whereas the inflation relaunching could not stop the unemployment growth.

The confusion of policies is even higher considering that the arbitration seems to disappear from the relating strategies favourable to the full employment, and it seems always important for the current strategies of fight against inflation. In the period 80/90, the priority of policy progressively turns in favour of the fight against inflation. One finds that inflation is accompanied by a worsening of unemployment, as predicted by Philips's curve. This transformation of the inflation - unemployment relation largely depends on the nature of the problems encountered since the end of the '60s: the shock of supply and the structural unemployment. The drop of the degree of use of the active labour force and the failure to use it in different forms and degrees leads to unemployment, which is a complex, multidimensional phenomenon: demo-economic, psycho-socio-cultural and political. The unemployment experience is closely connected to the modern production, to the industrial and technico-scientific revolution of the 19th century, and the beginning of the 20th century, in the context of the rise of capital and demographic boom. Due to the complex and profound social and economic implications, unemployment has become, beside inflation, one of the major issues, extremely important, of the economic and social researches, and its reduction is now one of the essential goals of economic and social policies.

The search for a new growth model is essential and it must pass through a renewal of international economic co-operation and the present progress based on flexibility and segmentation of the labour force should be the carrier of a regressive social dynamics.

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