

CURRENT NEOLIBERAL IDEAS ABOUT EMPLOYMENT AND UNEMPLOYMENT

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Abstract

Nowadays there is a wide range of ideas of neoliberal origin about two of the most momentous issues with which are faced contemporary economies, irrespective of their development level. Several scholars point on the ways of measuring and forecasting unemployment evolution or analysis of the relationship between existing conditions of employment and job satisfaction, and other authors attempt to highlight the influence exerted by labour force mobility increases on the occupational-professional sphere. Due to the particular diversity of experts' concerns in the field, our paper focuses on revealing the more significant viewpoints.

Keywords: neoliberalism, unemployment, occupational shifts, job satisfaction

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Introduction

Nowadays there is a wide range of ideas of neoliberal origin about two of the most momentous issues with which are faced contemporary economies, irrespective of their development level. P. Heyne introduces the unemployment and employment analysis in the context a liberal economic thinking and J. Gershuny approaches the same question for a post-industrial society. Y. Barou and J. Rigaudiat insist on the ways of measuring and forecasting unemployment evolution. C.T.Whelan makes an analysis of the relationship between existing conditions of employment and job satisfaction, and other authors attempt to highlight the influence exerted by labour force mobility increases on the occupational-professional sphere. Due to the particular diversity of experts' concerns in the field a brief presentation of some more significant viewpoints imposes itself.

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Analysis of employment and unemployment according to the thinking of Paul Heyne

Paul Heyne approaches the issues of labour market starting with the negative effects of inflation on the economic life. He considers that one of the most important costs generated by inflation is reflected by and regards the loss of confidence and welfare.

During the periods of economic recession, growth rates are diminished in all economic fields. On the USA territory, by general consensus, the National Bureau of Economic Research has the privilege of deciding, officially the moment in which the slowing down of economic growth changes into recession. Paul Heyne speculates⁸, and justly so, whether all substantial growth slowdowns shift into recession and if perpetual growth is the only way in which economic activity might be developed. Thereby he supports the idea that, by and large, ***the cost of recession is represented by unmet expectations***. The issue is that these are not revealed by the development of aggregated growth indicators, such as the gross domestic product, for instance.

As result of the diminishment of cashed incomes from goods sales during recession periods, the economic agents cut back on output growth rates and downsize the number of employees, inevitably generating unemployment. Hence, recession is a reason of unemployment increase only it does not start from nil nor it returns to nil when the recession period is over. Already in 1944 part of the labour force (1.2 %) was regarded as unemployed in a period when the sixth part of available labour resources were in the army and individuals left school or returned on the labour market from retirement/pension in order to work for six or even seven days per week.

Unemployment does not represent a negative state as long as its level does not exceed natural or frictional unemployment. Therefore, a distinction should be operated between unemployed and temporary jobless individuals, respectively between persons intending to find a job and those who are not satisfied with their jobs and quit them. Assuming that unemployment results from the decisions of economic agents and individuals it should not be presumed that all of them make the right decisions, or that unemployed are content with the situation they are in. In order for the decision taken to be optimal, the individual expectations should be taken into account.

“The economic Way of Thinking” of Heyne is meant to explain the shifts occurred in the evolution of social phenomena, including here unemployment, as consequence of a perception change on costs and benefits of made choices. As result, the Bureau of Labour Statistics makes a clear differentiation between the

⁸ Paul Heyne, *The Economic Way of Thinking*, Eight Edition, Prentice Hall, New Jersey, 1997, in Romanian *Modul economic de gândire*, Ed. Didactică și Pedagogică, București, 1991, pg. 400 - 402

decision of actively seeking a job and the decision to reject the provided opportunity. The general state of the US labour market in the period 1950-1995 as shown by statistical records is presented in **Table 1**. The analysis realised on a representative sample of 60,000 households and by taking into account the entire non-institutional population of 16 years of age and over. The non-institutional population consists of working age economically active and inactive persons (into this category are included unemployed and persons accepting a job, respectively employed). The criteria taken into consideration for a person to be regarded as unemployed are as follows:

- to be in the category of non-institutional population;
- to have been unemployed for the last week;
- to have actively been making efforts for finding a job (in this category are included also persons who shall be recalled to their old job after 6 months, or who shall start working within the next 30 days);
- to be immediately available for starting to work.

Based on collected data the unemployment rate and the employment rate for the considered period of time were computed, and the evolution of these data indicates that unemployment was on increase indicating the incapacity of the economic system to create new jobs.

Table 1. General Situation of US Labour Market for the Period 1950 – 1995

Year	Non-institutional population [thou. persons]	Labour force [thou. persons]	Share of non-institutional population [%]	Employed [thou. persons]	Unemployed [thou. person]	Unemployment rate [%]	Employment rate [%]
1950	104,995	62,208	59.2	58,918	3,288	5.3	56.1
1955	109,683	65,023	59.3	62,170	2,852	4.4	56.7
1960	117,245	69,628	59.4	65,778	3,852	5.5	56.1
1965	126,513	74,455	58.9	71,088	3,366	4.5	56.2
1970	137,085	82,771	60.4	78,678	4,093	4.9	57.4
1975	153,153	93,775	61.2	84,846	7,929	8.5	56.1
1980	167,745	106,940	63.8	99,303	7,637	7.1	59.2
1985	178,206	115,461	64.8	107,150	8,312	7.2	60.1
1990	188,049	124,787	66.4	117,914	6,874	5.5	62.7
1995	198,584	132,304	66.6	124,900	7,404	5.6	62.9

Source: Paul Heyne, *The Economic Way of Thinking*, Eight Edition, Prentice Hall, New Jersey, 1997.

The mosaic of unemployment, presented as above, shows however some lacks. First off, it cannot explain why so many persons fail to find the jobs they desire, or why the number of unemployed has increased by 100% in 1995 against 1950, even if in accordance with the presented data the rate of employment increased from 56.1% in 1950 to 62.9% in 1995.

The cost of employment and the costs of taking up a new job⁹ differ from one individual to another, depending on certain factors such as: experience, skills, age, family responsibilities, other income sources and possibly the system of values and attitude towards work of each individual. For employers the situation is just as difficult. Adolescents in their training period shall not find acceptable jobs either because they are during their time of studies and have only short periods of time available, or are during holidays, or because the employers consider that the costs for their training would be too high.

The analysis realised by Heyne is rather poor with respect to the field of employment and unemployment, because it is limited to simply juxtaposing these two phenomena, with rather superficial mentions to reasons and factors triggering them. He only makes remarks that one of the reasons for the increasing unemployment rate after 1960 is represented undoubtedly by the decision of the public authorities to provide for social insurance, such as the ones of the unemployment insurance type to an ever increasing number of persons.

Occupational shifts in the post-industrial population

Jonathan Gershuny notices the changes in the occupational field which occurred as society evolved from the pre-industrial development stage and the industrial one, where *the services' economy* was operational to the post-industrial state where the way of developing economic activities is called the *self-service economy* (or the economy which develops as result of own and free efforts of the economic agents)¹⁰.

Gershuny promotes two classification criteria of the occupational field which apparently are identical, as follows:

□ ***Industrial classification of occupations***, after the type of goods and services consumed by the society: manual, technical, clerical, administrative, medical, legal, financial-accounting, etc.

□ ***Occupational classification***, according to the nature of the work, or the share of some occupational categories within the range of occupations at a given time: lawyers, physicians, engineers, accountants, priests, etc.

⁹ Ibid, pg. 409 – 410.

¹⁰ Jonathan Gershuny, *After Industrial Society? The Emerging Self – service Economy*, The Macmillan Press LTD, 1978, pg. 59.

With respect to the nature of work in changing economies, Gershuny mentions as well the progress and degradation of work¹¹. The question that might be asked is whether it is necessary for jobs, respectively occupations to permanently lose some of their value because of technical and organisational developments. Many experts attempted an answer to this question. Firstly, there are opinions according to which due to the increased level of enterprises' automation there will be a drastic decrease of manual and repetitive work. Secondly, another effect of progress will be the wider opportunities of technical education as well as improved qualification of workers operating automated systems.

In his analysis, Gershuny emphasises the changes that took place in the distribution of workers at the level of economic sectors, at the same pace with society development, by making clear that the processes generating these changes are: shifts occurred in the production systems, the altered balance between industries, mutations in household organisation, etc. In other words, the factors responsible for the way in which the occupational field develops might be considered to be the organisational ones, related to labour division and the technical factors represented by innovation and investments in high-tech.

Concluding his considerations Jonathan Gershuny remarks on the fact that the current system of organising and developing economic activities has also some problems. One of the issues is represented by the *surfacing of unemployment* to a larger extent than in previous periods within the *tertiary sector*. Another aspect is the *insulation* to which households are exposed, these being the centrepiece of output and consumption. The reason for this insulation originates in the fact that once the *self-servicing of households* is increasingly satisfying these become less sociable.

Developments in measuring and forecasting unemployment

The experts appreciate that the employment rate is a variable category in time. Based on the studies in the field, Y. Barou and J. Rigaudiat have determined that when the level of employment decreases by one unit it does not immediately imply that unemployment will be by one unit higher¹². Also, if on the labour market a new job is created this does not mean, implicitly that unemployment would diminish by one unit as well.

Official unemployment is computed as difference between active population and employed population, but this way of computing is simplistic and does not pinpoint the actual situation of the phenomenon. When the intent is to realise a

¹¹ Ibid, pg. 114.

¹² Y. Barou, J. Rigaudiat, *Le marche du travail. Structure et fonctionnement*, Hatier, Paris, 1985, after Diana Preda, *Ocuparea forței de muncă și dezvoltarea durabilă*, Ed. Economică, București, 2002, pg. 64 – 65.

forecast about unemployment for short periods of time, the authors suggest using the following relationship:

$$\Delta S = 0.38 \cdot \Delta P_{pa} - 0.38 \cdot \Delta P_{oa} - 0.63 \cdot \Delta P_{oi} - 0.19 \cdot \Delta P_{ot}, \text{ where:}$$

P_{pa} = potentially active population, or labour resources of the country;

P_{oa} = population occupied in agriculture;

P_{oi} = population occupied in industry;

P_{ot} = population occupied in the tertiary sector;

The coefficients of the relationship represent values computed by INSEE for the economy of France. In the model created in this manner, it is considered that unemployment might decrease by a unit in one of the following situations:

1. Created 1 : 0.38 = 2.632 jobs in agriculture;
2. Created 1 : 0.63 = 1.587 jobs in industry;
3. Created 1 : 0.19 = 5.263 jobs in the tertiary sector.

It is appreciated that the analysis is valid also in reverse sense, respectively, unemployment might increase by a unit if in agriculture are lost 2.632 jobs, in industry 1.587 and in the tertiary sector 5.263. If the number of jobs is constant, then unemployment increases/decreases by one unit if the labour resources increase/decrease by 2.632 potentially active persons.

The presented model has the advantage of allowing for a more rigorous estimation of unemployment situation on a short period of time, and as result also for the adjustment of policies for the labour market, even if just under the form of some surface corrections. Unfortunately, the authors do not present the ways in which the coefficients could be adjusted, so as to be used in circumstances of swift changes of the economic conditions. Furthermore, considering the quick changes that the world economy is undergoing at present, the model could be used for realising some realistic forecasts about the evolution of unemployment for medium- and long periods of time.

The relationship between current conditions of employment and job-satisfaction

In the last decades, various opinions took shape regarding the influence of the conditions in which employment is realised on the satisfaction of workers during the work process. C.T. Whelan presents, to this end, the occupational stratification and the influence exerted by it on the way of estimating the developed activity. For instance, the Hall-Jones scale of occupational prestige contains the following types of occupational stratification¹³:

¹³ Christopher T. Whelan, *Employment Conditions and Job Satisfaction: The Distribution, Perception and Evaluation of Job Rewards*, The Economic and Social Research Institute, Dublin, 1980, pg. 1.

1. Occupations in various fields of expertise, administrative and managerial placed on superior hierarchical levels;
2. Occupations in various fields of expertise, administrative and managerial on inferior hierarchical levels;
3. Occupations regarding inspection, supervision and other non-manual activities at superior level;
4. Occupations regarding inspection, supervision and other non-manual activities at superior level;
5. Non-manual routine occupations;
6. Skilled manual occupations;
7. Semi-skilled manual occupations;
8. Unskilled manual occupations.

Among these categories there are significant differences with respect to the level of weekly incomes, starting from differentiations between manual skilled workers and workers delivering non-manual, routine activities. This aspect is used as argument for the fact that social classes and strata are regarded as separate dimensions of the occupational stratification.

Whelan approaches the issue of the influence of the occupational stratification on equity estimation, as well, indicating that the two individuals, x and y are equitably assessed if the following equality is complied with¹⁴:

$$\frac{V_x}{I_x} = \frac{V_y}{I_y}, \text{ where:}$$

V_x = the reward given to x for developed activity at the workplace;

V_y = the reward given to y for the activity developed at the workplace;

I_x = education level, experience, intelligence and training of x ;

I_y = education level, experience, intelligence and training of y .

The necessary observation would be that the assessment of the two individuals should be made in the situation in which the rewards originate from the same source. The equitable perception regarding performances' assessment is defined by the perception of equality between the rates of the rewards for each of the individuals.

Whelan shows that the way in which a full-time employee might achieve job satisfaction is closely related to the following set of occupational rewards:

- wage;
- attractiveness of developed activity;
- job safety;
- decisional freedom about the way in which a job task is realised;
- promotion chances, etc.

¹⁴ Ibid, pg. 13.

Nevertheless, in assessing occupational rewards following considerations should be taken into account¹⁵:

- the relationships established between the assessments and the system of occupational stratification;
- distribution of wage bonuses;
- creation of distinct socio-economic groups;
- way in which distribution of rewards is perceived;
- the degree to which the employees identify themselves as members of a socio-economic group.

This approach regards the occupational field rather from a social and psychological perspective, and less from an economic one, without representing a true complex theory about employment and unemployment at the present stage of economic development.

The relationship between labour mobility and the field of employment

Labour force mobility, or its migration generally takes place, as a rule, as result of the wish of individuals to gain a higher standard of living and social status. The unprecedented intensification of the labour force freedom of movement, as one of the effects generated by globalisation, triggers also mutations in the occupational-professional field at national and international level¹⁶. In order to assess this phenomenon, there are various models that can be used.

One of the models is the *Nakosten and Zimmer Model* which represents the way of assessing the benefits of migration¹⁷. $M^* = c \cdot w + u$, where M^* = marginal benefit of the migration decision, and $c \cdot w + u$ = model of the index function which is reached by comparing the wage from the old job (Y_0) with the wage obtained in the new job (Y_n), as follows:

$$Y_0 = b_0 \cdot x_0 + e_0, Y_n = b_n \cdot x_n + e_n, \text{ iar } c = a \cdot z + v,$$

Which makes that $M^* = Y_n - Y_0 - c$, equivalent with the first relationship.

According to this type of model, among the reasons generating labour migration could be mentioned the incomes' levels and the degree of labour force employment in the host and origin country. Next to these reasons, there should be mentioned the intensity of the migration phenomenon in the two countries, the

¹⁵ Ibid, pg. 17 – 19.

¹⁶ Steliana Perț, Valentina Vasile, Florin – Marius Pavelescu, Liviu Vasile, *Circulația forței de muncă. Scenarii. Posibile evoluții*, în *Probleme economice*, vol. 102 – 103, CIDE, Bucharest, 2004, pg. 30.

¹⁷ R. Nakosten, M. Zimmer, *Migration and Income*, Southern Economic Journal, no. 46, 1980, after Steliana Perț ș.a., Op. cit., pag. 31.

mobility degree of the labour force between the borders of the countries analysed, the way of complying with the human rights and the fundamental rights of individuals, the general level of culture and education, etc.

The Ferting and Schimid Model is used for estimating the external migration between two countries¹⁸. The suggested equation for estimating the migration level is:

$$m_t = a + \sum_k b_k \cdot x_k + c \cdot m_{t-1} + e_t, \text{ where:}$$

- m_t = migration level in year t ;
- m_{t-1} = migration level of the previous year;
- x_k = *dummy*-type explicative variables, for instance the level of knowing the language of the host country, the way in which immigration issue is handled in the respective country, the existence of common borders, compliance with human rights, etc.;
- a, b_k, c = index type parameters, that should be supervised/estimated;
- c = parameter estimating the dynamics of the migration phenomenon and which might have different values;
 - $c > 1$ indicates that the migration phenomenon increased for the analysed period;
 - $c < 1$ indicates that the migration phenomenon decreased for the analysed period;
 - $c = 1$ shows that the migration phenomenon was stationary for the analysed period.

The Hatton Model was conceived in order to bring corrections to a certain extent to the estimation errors of the labour force migration phenomenon starting from the current and preceding values of the explicative variables (x_k)¹⁹.

$$\Delta m_{h,t} = b_1 \Delta \ln \left(\frac{S_d}{S_0} \right)_t + b_2 \Delta \ln(e_d)_t + b_3 \Delta \ln(e_o)_t + b_4 \ln \left(\frac{S_d}{S_0} \right)_{t-1} + b_5 \ln(e_d)_{t-1} + b_6 \ln(e_o)_{t-1} + b_7 m_{h,t-1}$$

where:

- \ln = natural logarithm of the considered indicator;
- $(e_d)_{t/t-1}$ = employment rate in the host country for the current year (t) / preceding year ($t-1$);
- $(e_o)_{t/t-1}$ = employment rate in the origin country for the current year (t) / preceding year ($t-1$);

¹⁸ M. Fertig, Ch. Schimid, *Aggregate Level Migration. Studies as a Tool for Forecasting Future Migration Streams*, European Commission, Brussels, 2000, after Steliana Perç et al., Op. cit., pg. 32.

¹⁹ T. J. Hatton, *A Model of UK Emigration 1870 – 1913*, The Review of Economics and Statistics, 1995, after Steliana Perç et al., Op. cit., pg. 32 – 33.

- S_d = average wage in the host country;
- S_0 = average wage in the origin country;
- $m_{h, t / t-1}$ = migration rate in the origin country for the current year (t) / preceding year ($t-1$), calculated as relationship between the migrant stock and total population for the year taken into consideration.

As it can be seen, in this model were considered the following influence factors on the migration model:

1. level of wages in the two countries;
2. employment level degree that can be a favourable or hindering element for finding a job;
3. unemployment rate comparison between the two countries, from which the one in the host country has a higher influence.

As a conclusion, the models that might be used for assessing labour migration highlight the strong links between this phenomenon and the state of the world labour market, but also of the national labour markets for the current period, but also for the preceding ones. Employment and unemployment are two essential components of the labour market that influence to a high extent, if not decisively the mobility of labour resources, as it is also dependent on this phenomenon, more so as economic activities become increasingly global and the knowledge-based society dominant.

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