

NEW DEVELOPMENTS ON NATIONAL AND EUROPEAN LABOUR MARKETS – THE SOCIAL DIMENSION

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Abstract

The economic and financial crisis is long past, but it still throws a concerning shadow over the European Union and the world. At EU level, it is undermining its very essence of cohesion and convergence, as one member-state – the United Kingdom – is in full process of negotiating the exit, and other member-states search for solutions for what seems to be a full-fledged social and cultural crisis of Europe in the aftermath of the Great Recession. The answers for mitigating the threats to cohesion and convergence should be sought in the real economy and the social dimension of the European Union. These two dimensions covering both cohesion and convergence are of essence, and their core expression is the labour market and the developments regarding employment and unemployment.

The present paper presents a brief review of the current state-of-affairs with respect to the main economic and social issues from the viewpoint of labour market developments, by suggesting the importance and correlation between institutional factors/arrangements and social innovation, as an answer to the current concerning issues and developments on national and European labour markets.

Key words: *economic growth, labour market, employment rate, structural change, institutions*

JEL Classification: *J21, J24, J30, J89, O15, O33*

Introduction

The economic and financial crisis is long past, and as of 2012 steady but slow economic growth is registered at EU-28(27) level.

Nevertheless, it seems that this crisis still throws a shadow over the developments in the economic and social field, while member-states have not managed yet to identify common answers to

old and emerging issues of concern: structural employment change, increasing inequality, and the higher waves of migration from conflict and poor regions of the Middle –East, and North Africa.

The particularly difficult economic and social situation triggered by the uncertainty of economic growth, higher migration waves for labour, and the increasing and alarming inequality, contributed to increasing pressure also for the next period.

The societies at the beginning of the 21st century are marked by political, economic and social developments under the sign of paradigmatic change: from post-industrial and post-capitalist economy and society, to the economy and society of knowledge which triggered also the 4th industrial revolution.

The 4th industrial revolution is characterised in developed and developing economies, and even in less developed economies by innovation, creativity and entrepreneurial spirit, all demanding increased competences and stimulating the competition in the educational and vocational and training field, as well. Currently, technological innovation is perceived, debated and discussed according to all its facets regarding its constructive and destructive capacities.

The society as a whole and the individual as representative of the society are at the core of the field of transformative forces generated by the increasingly swifter developments in the field of technologies that change the face of agriculture, industries, services, and culture.

In this context, increasingly higher emphasis is laid by experts on the relevance of institutional and societal innovation, in particular based on considerations about resilience, employment and quality of life. The context is particularly complex as well, as it is dominated by imperatives of ensuring quality jobs, and improved quality of life for the most important resource, the human capital.

Apparently, a fashionable word, innovation is one of the most important components in ensuring competitiveness and sustainability at global, national and regional level. The Schumpeterian theory of innovation (1912) based on the paradigm of technological innovation can no longer fully satisfy economic requirements and much less social ones. A new framework is necessary with respect to labour market institutions (Freeman, 20XX) for ensuring that current inequalities, disparities and risks regarding insertion are diminished or avoided completely.

Innovation is, currently, an inexhaustible source reflecting directly and without any mediation the creative human potential, and

its multiple forms – technological, organizational, social, and cultural (Pol and Ville 2008) is conditioned by optimum valorisation of the human resources. However, the human resource is exposed to increased pressures, in the context in which the traditional occupations are vanishing in the post-industrial and knowledge economy and society, and solutions are not to be found easily.

One possible approach would be to consider the current dimensions of the labour market, of employment and unemployment from the economic and social perspective by considering their common economic and social institutional framework. In our opinion, this type of approach has several advantages: (i) allows for identifying the structural changes of employment and labour markets, by highlighting the main changes of occupational structure, occupational profiles, working time a.s.o.; (ii) assists in tracking the possible social responses, and reactions to economic policy interventions, both from the employer and employees viewpoint. One such ‘measurement’ could be the response to educational and vocational reskilling vouchers, from both employers and employees; (iii) creates the necessary basis for social and institutional innovation by involving all interested stakeholders from an economy, or branch, sector, industry, and from the society, communities, and even from individuals, thereby highlighting the opportunity provided to all in contributing to change, increasing insertion and avoiding exclusion for some segments of population, or vulnerable groups.

Employment and occupational shifts at European Union Level

One of the most concerning outcomes of the Great Recession might be seen at the level of EU-28(27) policies, reports, analyses which are in agreement with the public perception about employment and unemployment.

Since 2013 employment has recorded an overall increase in all member-states, even if at slower paces than anticipated in the developed old member-states (OMS), in the former convergence and cohesion member-states (FCCMS), and in the new member-states (NMS). However, most papers and debates are approaching the unemployment issues associated frequently with the rate and intensity of technological change in industries and services.

Technological change is regarded as the most important factor for the developments with respect to employment and unemployment, including here wage developments increasing inequality (Goos et al, 2009).

Thus, whether the discussion approaches the ‘skill-biased technological change’ or the ‘routine-based technological change’,

technology is seen at the core of employment changes in developed and developing countries as well at global level, and at EU-level.

However, this might be countered by bringing in several other factors weighing on the altered occupational structures and employment. For instance, it is obvious that the ‘skill-biased technological change’ implies higher levels of education, better and improved skilling, and reskilling in high-tech industries, where automation, robots, and digitalisation are predominant. This triggers a change in the profile of the worker, who needs to have high-skills, apply cognitive and creative abilities, and more often than not prove innovative and self-managing abilities, and the capacity of independent decision-making. This ‘push’ upwards means at the same time better jobs and higher-wages. It also means increased quality of educational systems, and improved opportunities for lifelong learning, demanding thus higher competitiveness from this system as well. At the same time, the polarisation –‘pull’ – takes place for those workers who are involved in the more ‘routine activities’ threatened with disappearance, or that have already vanished, or will vanish due to the evolutions of the ‘technology-biased change’.

The individual and the labour force as whole are caught between these two poles of pressure, as other factors contribute to changing the employment structure as well. Among these, the most significant of the last decades are: (i) the globalised international trade; (ii) China’s increasing role of powerful competitor on the international markets especially due to its competitiveness based on low-cost manufacturing (Autor and col., 2016); (iii) the mix low-costs and technology that means less demand for medium-skilled labour force; the increasing relevance of the services’ sector.

The evolution of the employment rate for the period as of 2007 and up to 2016 contains some important information about the changes occurring in the EU-28(27) labour market, but also with respect to the occupational shifts.

In 2007, the employment rate at EU-level was of 83.9 % in EU-27 and of 83.8% in EU-28 for the labour force with tertiary educational level 5-8. The decreases were rather slow as in 2010, those with tertiary level still recorded employment rates of 82.4% both for EU-28 and EU-27. The employment rate continued to decrease, up to 2012 when it was only of 81.9% for EU-28(27) The pre-crisis employment rate for EU-28(27) was reached only in 2016, when the recorded employment rate was of 83.4% (Eurostat, LFS).

Nevertheless, the situation is considerably different at the level of the member-states. If we consider only the countries regarded as the

‘engines’ of the EU economy during the period of the crisis, we notice that throughout the period Germany recorded increases of the employment rate for those with tertiary education, from 85.4% in 2007, to 86.8% in 2010, and 87.7% in 2012, while in 2016, this constant increase continued to 88%. France had a development comparable with the one in Germany, as from an employment rate for tertiary educated individuals of 80% in 2007, and with constant increases for the considered years – 80.9% in 2010, 81.4% in 2012, and 82.5% in 2016 it confirmed the overall trend at the level of the EU-28(27) developed countries both with respect to employment, but also to the relevance of technological change. Most of the EU developed countries (OMS) continued to increase the numbers of the highly-educated employees, as reflected in the employment rate.

At the same time, more concern-raising is the situation in the NMS, where in the same period decreases were recorded for this segment of the labour force. For instance, Romania had an employment rate of tertiary educated individuals of 85.8% in 2007, and this rate decreased to about 83.4% in 2010, and 82.5% in 2012. Nevertheless, Romania in 2016 confirmed as well the general trend of reaching the pre-crisis level of the employment rate for tertiary level educated individuals, of 85.3%. As exemplified by Romania, not only NMS had a difficult period regarding the numbers of employees with tertiary education in the crisis period, but also most of the FCCMS like Ireland, Greece, Spain, etc., including here also the particular case of Italy- an Old Member-States.

The evolution of the employment rate for the educational attainment levels upper-secondary and post-secondary (ISCED 3-4) was rather comparable with the one of tertiary education attainment level, but with indicative slight differences, that show the relevance of the ‘technological-bias’: from 71.4% in EU-28 and 71.5% in EU-27 the employment rate decreased to 69.9 in EU-28(27) in 2010, and continued at to decrease by 0.2 pp in 2012. In 2016, the employment rate for this segment is comparable as well, with the level before the crisis, respectively 71.8%.

Germany increased the employment rate for this segment even during the crisis, from 73.3% in 2007, to 74.9% in 2010 and 76.8% in 2012, and in 2016 the employment rate is of 79.3% for this category of employees. However, France had a different trajectory, as the employment rate for this group of workers decreased from 72.5% in 2007 to 71% in 2010 and 69.9% in 2012, and the rate presented slight variations around this percentage, including in 2016, when it was of 69.6%, a decrease by 0.3 pp compared with 2012. Again, the most

considerable decreases in the employment rate were registered in some of the former convergence and cohesion member-states and new member-states. Sharpest decreases were registered in Greece, from 62.8% in 2007 to 51.4 % in 2012, (60.6% in 2010), and just an increase by 1.1 pp in 2016, to 52.5%. Romania's employment rate for individuals with upper-secondary and post-secondary, non-tertiary education remained rather constant throughout the period, the percentage varying from 65.1% in 2007 to 66.2% in 2016, after a decrease to 64.8% in 2010 and an increase to 65.1% in 2012.

Most hit during the crisis, were those with low education attainment level in the entire EU. At EU-28 level, the employment rate for this group was of 56.9% (EU-28) and 57% (EU-27). The decrease was sharp, 2010, when the employment rate was of 53.4% in the EU-28(27). The employment behaviour for this category was atypical in Germany, where the employment rate continued to increase from 55% in 2007 to 56.1% in 2010, 57.8% in 2012, and finally to 59% in 2016. Again France can be counted in the 'mainstream' group, as the employment rate decreased for this educational level from 57.3% in 2007, to 55% (2010) and 54.9% in 2010. For 2016, the employment rate continued to decrease to 50.5% for this category of employees. Again, Greece had one of the sharpest decreases, from 60.2% in 2007 to 48.1% in 2016. Romania registered also a decrease of the employment rate for this group of employees, from 53.1% in 2007 to 52.3% in 2016, however with a remarkable increase in the employment rate of those with low-education attainment level to 55.3% in 2010.

These developments raise some questions, for which traditional neoclassic approaches are insufficient. New aspects need to be considered from the role played by the state as employer in sectors like health, education, and public administration, to those related to the institutional arrangements on the European labour markets.

The policy dimension of the employer role of the state is relevant, as the state accounts for 15% to 35% of total employment in all EU member-states.¹¹

Other important dimensions requiring institutional approaches along with the ones of orthodox economics are the increased participation of women in the labour force, the overall improved educational level of the workforce, the aim for and already increased intra-mobility of EU workers, and migration.

¹¹ Employment shifts in the EU, 2011-2016, Eurofound 2017.

In particular, the educational dimension on the supply-side of labour can trigger changes in the behaviour on the demand-side, as the employers' job-creation and generation decisions are influenced by this development.

At the same time, migration is responsible for new types of job demand in the countries of destination in a context in which the intra-EU mobility increased and about 12% are working and have residence in another member-state, than their own. Actually, the increase in their numbers was quite rapid, from 5.7 million in 2008 to 7.3 million in 2016, but still their numbers are below those of the workers from non-EU countries.

Nevertheless, the recovery of the labour market in all member-states of the EU continues to be perceived less so at all levels. The reasons are more of an institutional nature: firstly, labour market risks are higher nowadays as automation and innovation change jobs at rapid paces. Secondly, labour productivity continues to lag, while the link between productivity and wages continues to be less strong than would be desirable (Boeri 2009).

The changing face of jobs and occupational structure shows that despite the fact that 8 million additional jobs were created in the post-2013 period on quintiles and countries, as compared with the period 2011-2013, uncertainty still prevails, while in the well-paid, top quintiles were created 2.3 million jobs. For each of the other quintiles the number of jobs created varied between 830.000 thousands and 1.6 million (Eurofound 2017).

Another finding shows that the employment growth was supported by the parallel recovery in consumption and the increasing demand for lower-level, non-tradable services during the most recent years (European Commission 2016).

The reasons are manifold, from the state as employer in public administration, health, and education, to the increased needs of the public and private care services addressing the growing elderly population requiring home-care and other forms of medical and social assistance.

The demographic change is the driver for increased demand for lower-paid interpersonal services, which will impact also on the costs and volume of formal occupation in these type of services (Oesch 2015).

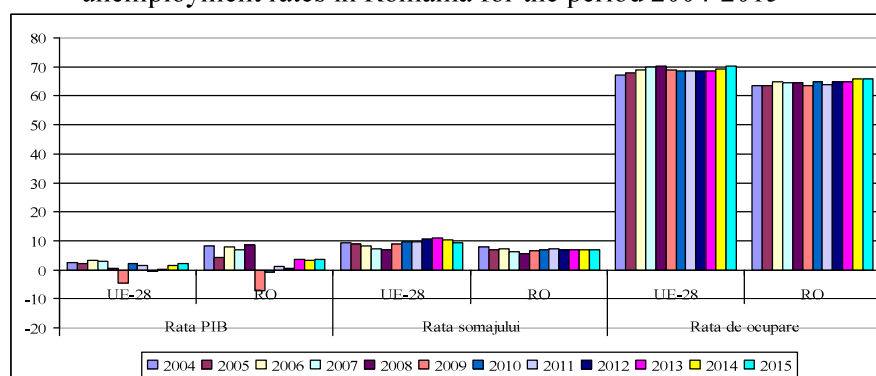
National State-of-Affairs Regarding Employment, Education and Innovation

The complex state-of-affairs at national level is rather complicated, as the employment rates remained rather high for a

transition country in the first post-accession period, and increasing demand for labour force, in particular at the level of the NUTS2 regions.

As all other countries in transition, Romania also registered the so-called ‘transition unemployment’ however, an analysis of the entire period of interest, from 2004 to 2015 shows that the employment rates remained rather high, and the unemployment rates rather low for the entire time, and comparable to the EU-28 employment rates (Fig. 1).

Fig. 1 Evolution of real GDP growth and of the employment and unemployment rates in Romania for the period 2004-2015



Data source: Eurostat statistics

Nevertheless, the disparities and asymmetries identified in the period mentioned-above continued also in the post-crisis period. The reasons vary from the structural change of the national economy, including here the weight of the industry sector, the increases of the services sector, and migration for labour abroad. Thus, when compared with the employment trends at European level, beyond the finding that the Romanian evolutions agree with these overall, reasons of concern and risk can be identified with the most concerning one in the health sector, where the deficit continues to be constant and slightly increasing, as employment in this sector is of only 4.65% from total employment.

Moreover, the post-crisis period highlighted vulnerabilities of the Romanian economy with impact on the labour market that were perpetuated from the pre-accession period to the present day: (i) an unsustainable growth model, dominated by consumption; (ii) considerable losses of working age population, as the country registers the second largest migration after Syria (!), by a yearly average increase rate of 7.3% after Syria (!) (average yearly increase by 13.1%

of the emigration rate in this conflict affected country) and before Poland (5.1%) (UN Migration Report, 2016).

If we compare the employment rates according to educational attainment levels, we notice that Romania lags behind with respect to tertiary educations (levels 5-8) where decreases were recorded in the period of the crisis with a low of 82.5% in 2012. This situation can be associated both with the constriction of the sectors requiring high-skills, and with the higher migration rate of people with tertiary education for better jobs and career advancement opportunities abroad. The upper-secondary and post-secondary trained personnel maintained a rather constant employment rate varying from 65.1 % (2007) to 66.2% in 2016.

These employment rates for tertiary and upper-secondary and post-secondary education attainment level are indicative for the 'technological-bias' employment in the country, but also for the still difficult situation of the education system that, after several reforms continues to lag much behind the skill- and competences demand of the market. Moreover, it contributes to the emergence of increasingly larger NEET generations in our country.

Same data reflects also the reasons for the falling unemployment, while Romania continues to lag far behind the target of 70% employment provided for by the Europe 2020 Strategy. The reasons are found in the demographic ageing of the population, and the continued high-rates of migration of skilled-workers.

The occupational shifts are captured in the way employment developed by sector up to the year 2016. The greatest increases of employment were in services, both tradable and non-tradable, while most losses were registered in low-skilled jobs in industry and agriculture.

At the same time, income inequality increases and is among the highest within the EU. This increase, recorded since the year 2012 to be even sharper, underpins that about 20% of the population has incomes eight times higher than the 20% poorest of the population.

This situation is compounded by Romania's regional disparities and the urban-rural divide increasing because of labour migration, internal mobility, but also because of demographic ageing.

This fact is reflected at the incomes' level as well, as the average rural income is about 67% of the income in urban areas, and against the EU average of 80%.(European Commission 2017).

The economic and social situation as briefly presented is the outcome of the delays in adjusting the institutional systems to the changed conditions on the labour market both at national level. The

most difficult issues to approach are measures for diminishing the inactivity rate at national level, the arrangements about working-time and labour contracts, so as to provide for more flexibility and provide options for both employers and employees. New institutional arrangements in this respect might be also an incentive for the increasing numbers of NEET youths, by encouraging and facilitating their insertion in the labour market.

Another negative influence in improving the outcomes of the labour market is the lack of correlation and difficult cooperation between the public and private system regarding common actions for setting-out directions and opportunities for increasing employment, with particular emphasis on vulnerable groups (women, youth, elderly, etc.).

These issues were identified also in the National Strategy for Labour Force Employment for the period 2014-2020. The Strategy addresses in particular the institutional level by stipulating the need for improving the labour market operation by making required legislative alterations with respect to labour relations, collective bargaining, facilitating transitions from unemployment to employment, and activating new and better incentives based on active labour market policies and developing the institutional capacities of the National Employment Agency at regional and local level.

Another global objective provided for in the Strategy underpins the importance of finalising the reform of the educational system by including the option of pursuing dual educational paths, so as to encourage furthering education also after identifying a job.

The global objectives mentioned have immediate impact on the labour market on both medium- and long-term, and show that in particular institutional arrangements at country level need to be address

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