

APPROACHES TO SCIENTIFIC CONCEPTS REGARDING EMPLOYMENT

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Abstract

In this paper, the author sets forth the stages of development of concepts regarding employment by analyzing the opinions of the representatives of various economic theories. This analysis would allow the avoidance of many mistakes and negative factors affecting the regulation of employment.

Employment is considered a complicated socio-economic problem that interacts with numerous societal factors such as job creation, employment of the active population, education, professional requalification of the unemployed, the rise in the standard of living of the population, and others. The trends that are happening in the sphere of employment determine not only the economic development of the state, but also the welfare of the population.

Keywords: economic theories, factors of production, human factor, employment

1. Introduction

Economic growth and development are fundamental processes closely linked to the resources and factors of production used within any economy. The volume, structure and efficiency of using these resources are essential for the quality of human development. Within the economic framework provided by these resources, there are various factors influencing growth, the main and most important of which is *the human factor*, which is considered not only the key element of economic development, the main resource and the main factor of production, but also the ultimate goal of the entire economic activity. Unfortunately, caught in the calculation of so many indicators of efficiency, productivity, profitability etc. one often forgets about the main factor of the economic activity: *the individual*, who through his physical and intellectual efforts contributes to the use of the other factors of production, the creation of goods and the provision of services. In other words, the individual through his ability to work becomes the workforce.

2. Degree of investigation of the problem at the present time and the purpose of research

The human factor should be the basis of all research on the evolution and development of the economic system. Respectively, studying the problem of employment is a priority of the research in this area. The problem faced by humanity nowadays is nothing more than the inability to successfully use the main resource that contributes to growth and development: the workforce.

3. Methods and materials applied

This research has been possible through the use of quantitative and qualitative research methods, including bibliographic documentation, systemic methods, analysis, and comparison methods. The article was developed on the basis of a complex study of economic theories.

4. Results and discussion

Employment constantly requires attention, not only from representatives of different schools and theories, but also from practitioners as they contribute directly to making various socio-economic transformations. The methodological basis of the essence of employment was laid by many representatives of economic theories: *classical, neoclassical, Keynesian, neo-Keynesian, monetarism and neo-conservatism*.

For the first time, the concept of employment has been analyzed by the *classics of economic science*, including: the school of classical liberalism of A. Smith, D. Ricardo, Th. Malthus, J. B. Say, J. S. Mill and the socialist school of K. Marx. The savants of these schools assumed that free competition and the market are the main regulators of the economy. A. Smith, D. Ricardo and J. B. Say said that if the supply and demand of labour are equal, there is a balance in the labour market and full employment is assured.

According to the scholars D. Ricardo, J. B. Say and Th. Malthus, the wealth of the population grows slowly. Later, they demonstrated that when society becomes poor, the economy decreases: wages shrink, unemployment increases, and economic activities are reduced. D. Ricardo argued that capital accumulation is based on the tendency of the rate of profit to decrease, which leads to a decrease in production and, respectively, a drop in employment. According to the classical theory of A. Smith and D. Ricardo, full employment is characteristic only for the market economy.

According to K. Marx, the employment problem is based on three theories: the population principle, the theory of surplus value, and the theory of capital growth. Marx dedicated Chapter 23 of Volume I of *Capital* to the problem of employment, analyzing the impact of capital growth on the position of the working class. He invented "the industrial reserve army of labour", which became a lever against capitalist accumulation and even a condition of the existence of capitalist production. "The industrial reserve army of labour" is an additional source of population and is involved in the production of goods when the production process expands. This theory is unilaterally seen to demonstrate the inevitable nature of changes from one (capitalist) model to another (planned, centralized). This concept is focused on the idea of producing surplus value [4, pp. 549-580].

J. B. Say, analyzing the market as a factor of production, considers labour to be a special resource that contributes to the creation of value and which brings income from work in the form of wages to the owner of the labour force. J. B. Say has shown that each factor involved in production brings the owner income (capital - interest, labour - salary, land - rent) and there is no contradiction. He believed that overproduction of goods strains the labour force and capital from production, but creating demand for goods on the world market in turn leads to job creation. Under conditions of free competition in the market, economic crisis, the reduction of capital, and the reduction of employment are impossible [3, 6].

In the modern economic theory of employment, one should take into account the classic concept, based on the direct relationship between the cost of labour and the value created. The market alone controls the mechanism that shapes labour supply and demand.

This problem was analyzed more completely by the economists of the *neoclassical* school: W. St. Jevons, A. Marshall, A. Pigou and J. B. Clark, who determined workforce limits through analysing the „marginal productivity of the factors of production”, the “marginal product of labour” and the „marginal worker”. Jevons established a *theory of labour supply, which implies a lack of symmetry between the factors that determine supply and demand of labour* [7].

J. B. Clark, analyzing the problem, discovered „the law of diminishing marginal productivity”. In other words, there is a „diminution in productivity” in the production process, in which wages depend on labour productivity and employment levels. The higher the number of employed workers, the lower the labour productivity and wages [3, 5]. A. Pigou believes that, as a mechanism for lifting employment in a crisis situation, it is necessary to increase real income. Then the rate of nominal wage reduction becomes lower than the rate of change in the price. This fact will ensure real wage growth and thus, the aggregate demand, production and employment will increase.

In the neoclassical theory, employment depends on two factors: the marginal productivity of labour (which characterizes labour demand) and the „marginal utility” determined by the workers, expressed by real wages (which determine labour supply). The balance between the supply and demand of labour determines the level of employment and wages. The lower the real wages to which the workers agree, the higher the employment level and vice versa. In „Principles of Political Economy”, A. Marshall regarded the employee as a rational subject, evaluating the minuses and pluses in the process of production. If the minus is the labour cost as measured by the subjective assessment of the marginal disutility of labour, then salaries act as pluses, depending on their evaluation designed for the monetary compensation of negative emotions. This concept is based on two initial assumptions: first, labour supply responds to the offer of real wages, and on the other hand, real wage mobility evaluates the same changes. Any agreement on wages determines the real level of employment, being thus in the hands of the workers. Their unwillingness to reduce wages will turn against them by increasing their unemployment. The equilibrium in the market of production factors is achieved by the equality of demand and supply of labour [1, 2, 7].

Thus, using neoclassical theory in modern science, one can determine the required level of jobs, taking into account the marginal cost of labour, the marginal productivity of factors and the marginal product. They reflect the optimal size of employment, which is very important for the regulation of employment.

Keynesian theory of employment regulation is based on rejecting the ideas of classical and neoclassical schools. It rejects the idea of the self-regulation of the labour market, automatic change in interest rates, and price and wage flexibility. For Keynes, the main reason affecting the creation of unemployment is the lack of effective aggregate demand. Coordination of employment in the national economy depends on the dynamics of actual demand, in other words, on consumption and investment costs. His psychological law reflects the need to consume more than to save. In the theory of employment regulation, J. M. Keynes provides an analysis of the mechanism for restoring economic balance, based on the state budget, and on fiscal and monetary

policy, which would stimulate effective aggregate demand and attract new investment. This provision is important for the regulation of employment at present [2, 3, 5, 7].

J. M. Keynes considered the labour market as a static system, strictly regulated by the state, where the price of labour is strictly set at lower levels. The Keynesians were of the opinion that the labour market is a phenomenon consisting of constant inequality of fundamental rights and constant imbalances. For example, salaries are strictly fixed and cannot be lowered because they have ceased to be the labour market regulator. Keynes introduced the concept of full employment, which is defined as a state in which total employment does not react to an increase in actual demand. Lack of demand within the effective market economy does not provide full employment [1, 3, 6].

American Neo-Keynesian Theory is presented by R. Harrod, E. Hansen, J. R Hicks and others. By analyzing the work, „General Theory of Employment, Interest, and Money”, of John Maynard Keynes's, R. Harrod wrote: „the amount of work depends on the amount of investment and the tendency to consume”.

In his work, E. Hansen described the need for state regulation of employment as a priority of regional government. He developed a Neo-Keynesian theory of regional economics. The idea is to analyze the rapid changes in the structure of the labour force and the unequal economic development of individual regions, as challenges to match the aggregate supply to the aggregate demand. The model of employment regulation in the labour market, which was built by Orthodox Keynesians, taken in isolation from other markets, is very similar to the neo-classic model. The balance is determined depending on real wages, which equate labour supply and demand. This model, called Hicks-Hansen, reflects three „cases” that allow us to achieve full employment. These „cases” show firstly, the inflexibility of wages; secondly, the „liquidity trap”, the speculation of money demand, not lowering the rate; and thirdly, the high level of investment expenditures needed to absorb the entire amount of savings. The latter is so great that it is impossible to obtain a positive value of the interest rate. The significance of these cases lies in the fact that they allowed to unite Keynesian theory in „neoclassical synthesis” [10].

Thus, the Neo-Keynesian and Keynesian theories have marked the instability of the market economy, a tendency of wasting resource, the increase of the aggregate demand and the government intervention in the economy regarding full employment, when the classics relied on self-regulation of the market according to the ability of the market to allocate resources optimally and to ensure a balance of full employment. It follows from the above that J. M. Keynes and the neoclassical theory needed each other.

The *monetarist* concept of M. Friedman regarding the employment stems from the fact that employment regulation is only related to the short-term unforeseen inflation because it deviates from the natural rate of unemployment that is the result of some activities of the wrong government. M. Friedman found the cause of stagflation, introducing the concept of frictional and structural unemployment within its „natural rate” regime. If the unemployment rate is higher than the natural unemployment, then the unemployment is forced, if below - inactive. The attempts to reduce the unemployment below the natural rate lead to inflation. The development of monetary theory is associated with the names of the economists at the end of the 19th century - the beginning of the 20th century, such as R. Hawtrey, K. Wicksell, etc.

According to M. Friedman, Th. Sargent and R. E. Lucas, the rate of natural unemployment doesn't

dependent on the macroeconomic factors and is determined in microeconomic principle, because through the state regulation, it reduces spending on social programs. Other government measures to regulate, for example, the establishing of minimum wage rates will inevitably contribute to rising inflation. In order to reduce unemployment, M. Friedman presents the case in which the market must provide workers with job vacancy information, make the necessary retraining for the required professions, and reduce charity and help programs [9]

M. Friedman and his adherent M. Feldstein, in the theory of employment, have developed a series of social expenditures such as taxes, savings, and investments. Researchers have come to the conclusion that lowering social spending eventually decreases employment. If labour supply exceeds labour demand and wages are not high enough, the employment loses its appeal, the number of unemployed people increases and labour supply decreases.

In order to expand employment and reduce unemployment, the theory of institutional current must be used. The socio-institutional current is represented by T. Veblen, W. Mitchell, J. Commons, Galbraith, Walt Rostow, and R. Hellbroney, in which the socio-economic phenomena are determined by the nature of the economic behaviour of the population, conditioned by their adaptation processes and accommodation of the action of existing institutions on people's behaviour. They have started from the need to regulate employment from institutions that shape the labour market [8].

The institutionalist approach of William Mitchell is based on the analysis of the professional workforce structure differentiated by sectors and the level of wages. He invoked the idea of state regulation of employment through the establishment of a system of unemployment insurance. J. R. Commons, another representative of institutionalism, saw the establishment of economic balance by concluding contracts between owners and employees on working hours and salaries. He has developed a passive policy regarding the employment regulation that targets the social protection of the population.

In the 1960s, the *neoconservatives* proposed short-term abandonment of the employment policy regarding reduction of unemployment benefits, diminishing the influence of institutions (the syndicates, the political parties), and reviving the self-regulation of the market. It was advanced the slogan „The labour market is more than just a market” (F. A Hayek). The main instrument for regulating employment is considered salary. R. Lucas, an American economist, the leader of the „new classics”, and the coordinator of the modern macroeconomic school, developed the hypothesis of rational expectations invoked by J. Mutom, and moved it to the macroeconomic model. Robert Lucas stressed that in order to build the confidence on market players, it is necessary to take into consideration the used policy over a certain period of time [9].

If the neo-classics considered wages to be the main lever in the process of regulating employment, then the Keynesians considered the demand for employment to be insufficient. These theories, in practice, do not contradict each other, but complement each other.

5. Conclusions

A retrospective analysis of employment regulation concepts allows the use of visions of more scholars around the world in order to avoid many mistakes and negative aspects of employment regulation in the country.

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Rezumat

În această lucrare autorul stabilește etapele de dezvoltare a concepțiilor cu privire la ocuparea forței de muncă prin analiza opiniilor reprezentanților curentelor economice. Aceasta analiză ar permite de a evita multe greșeli și aspecte negative în reglementarea ocupării forței de muncă.

Ocuparea forței de muncă se consideră o problemă social-economică complicată, care interacționează cu așa laturi ale vieții, cum este crearea locurilor de muncă, încadrarea populației active în câmpul muncii, obținerea studiilor, recalificarea profesională a șomerilor, ridicarea nivelului de trai al populației și altele. Tendințele, observate în sfera ocupării forței de muncă, determină nu numai dezvoltarea economică a statului, dar și bunăstarea populației.

Cuvinte-cheie: curente economice, factori de producție, forța de muncă, ocuparea forței de muncă.

Аннотация

В данной работе автор определяет основные этапы развития концепций о занятости рабочей силы через анализ мнений представителей различных экономических течений. Данный анализ позволяет избежать множества ошибок и негативных аспектов в регламентировании занятости рабочей силы.

Занятость рабочей силы считается сложной социально-экономической проблемой, связанной с такими сторонами жизни, как создание рабочих мест, внедрение активного населения в сферу труда, получение образования, переквалификация безработных, повышение уровня жизни населения и другие. Тенденции, наблюдаемые в сфере занятости рабочей силы определяют не только экономическое развитие государства, но и благосостояние население.

Ключевые слова: экономическое течение, факторы производства, рабочая сила, занятость рабочей силы.

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