

CONSIDERATIONS REGARDING THE LABOR MARKET

Associate Professor Dumitru VIERIU, PhD.

USM Chişinău, Republica Moldova

eufemia_vieriu@yahoo.com

Abstract:

The labor market as a system of social structures and processes which evaluates mediates and then sells and buys economical services of technical, informational, organizational nature or evaluated and rented services by individuals as the labor force.

The labor market has also can be defined as the confrontation between supply and demand of labor force during a certain period and within a certain space which is finalized by buying and selling labor force in exchange for the salary.

Keywords: *labor market, labor force, supply and demand of labor, labor relations.*

The Notion and Specifics of Labor Market

Labor is a general condition of every economic activity. Considering the existence of the economy on the market, for the most part of these activities the labor factor is ensured by the labor market, labor being, at the same time, the object of supply and demand only when it is remunerated.

A market is a place where supply and demand meet. By the meaning given by economic theory, this term does not designate a physical place but a mechanism for the exchange of produce (goods and services). Societies that have market economy are the ones who make this mechanism the basic principle of economic life. [1, 227]

There are several markets: the market of goods and services, the capital market, the natural resources market, the labor market. They act simultaneously ensuring the well functioning of the economic and social mechanism, efficiently adjusting the processes and phenomena.

The labor market is considered a system of social structures and processes which, in a first sense, evaluates, mediates and then sells and buys economical services of technical, informational, organizational nature, and in another sense, services are evaluated and rented by individuals as the labor force. [2, 33]

The labor market has also been defined as the confrontation between supply and demand of labor force during a certain period and within a certain space which is finalized by buying and selling labor force in exchange for a salary. [3, 251]

The labor market has two components:

- the supply and demand of labor force;
- the confrontation between these two is the labor market.

The demand for labor force is the necessary remunerated work at a certain moment for the development of the activity of employers, judicial persons or individuals. [4, 56]

The offer of the labor force is the total of people that are apt for work, available to become employees.

Unlike the other markets, which have as object different categories of material goods or different values, the labor market has at its core the human as an intellectually and physically apt individual which are key components of his labor potential. He is, above all, a social being, not only a production factor, who, besides his existential needs, has a certain value and personality, is aware of his role within family and society, passionate by his profession.[5, 237]

The labor market shows the relations between the suppliers and demanders of the labor force that develop in accordance with the existent regulations which establish the employment conditions and the amount of the salary which are agreed upon through an official act generally named labor agreement.[6, 12]

The fact that there is a labor agreement attests a certain mutual interest between the suppliers and demanders, all this also being freely expressed by both parties through some specific aspects. For the labor market, the functioning is different, by many aspects, from a country to another, depending on the internal or regional legislation, all being compulsory respected, and just because of this the labor market must not be considered as being unique. On the contrary, it should be analyzed in relation to time, place, activity or other such aspects. [6, 20]

Some labor markets, like the ones where the suppliers of the labor force are represented by a union or another alliance, function based on a formal set that encompasses rules that partially govern the relation between supply and demand. In

countries where the union movement is strong, firms are bound to employ at the union's headquarters, from the lists that the union makes available. If there is a formal set of rules and procedures that govern and bring certain restrictions for the labor force transactions within a certain firm, then there can be said that there is an internal labor market. [7, 34]

The labor market is mixed because of its diversity. There is a wide diversity of the labor market based on certain criteria such as industrial branch, geographical area, occupation, age, and the conditions of the transaction. Amongst all there are correlations and their separations are impossible. [7, 34]

Concepts

The labor market operates based on certain concepts that are necessary for defining, characterizing and evaluating it.

The employed population encompasses people of legal age for work, people apt for work, civil employees, employers, single or family workers, apprentices, army personnel (M) and paid interns.

According to Law 76/2002, article 5, section IV, regarding the insurance system for unemployment and the stimulation of employment, the individual searching for employment is the one who takes steps towards finding a job within the territorial area of his home or residence, or at another supplier of employment services, legally accredited.

Unemployed people are, according to article 5, section IV of Law no. 76/2002, people who fulfill the following conditions:

- is looking for employment from the minimum age of 16 years until the pensioning age;
- health state and physical and psychological capacities make the person apt for work;
- does not have a job, does not earn income, or earns smaller income than the basic minimum wage guaranteed by the state from authorized activities;
- Is available to immediately start work provided he finds a job.

A registered unemployed person is the individual who fulfills all the conditions above and who registers at the Agency for Employment from his area of residence or at another employment supplier that functions in accordance to law, to obtain a job.

The active population is the employed population along with the unemployed; this structure supplies the available labor force for the production of certain goods and services, structure which encompasses people of legal labor age, people available for work.

Employers are judicial persons or individuals who employ.

The workplace is the environment where the remunerated activity takes place and where the judicial labor relations are materialized.

The individual in search for a workplace is the person who takes steps towards finding a workplace, by his own methods or by registering with the Agency of Employment from his area of residence or with another employment supplier lawfully accredited.

The measures for stimulating employment are the measures which are purposed to aid people in their search for a job, especially unemployed people so they can become employed. [8, 153 – 159]

The activity rate (PGA) is calculated as the percentage ratio between the active and total population of 15 or more (P) based on which the employment rate is calculated;

The employment rate – is calculated as the percentage ratio between the employed population and the population of 15 or above, evidently, the activity rate is higher than the employment rate because the active population is made of employed and unemployed people.

The unemployment rate – the percentage ratio between the number of unemployed people and the active population or, according to the National Statistics Institute of Romania, the unemployment rate can also be calculated as the percentage ratio between the number of unemployed people that are registered with the Employment Agencies and the civil active population.

The gender structure of the active population refers to the percentage of women and men within the total of the active population;

The age structure of the active population – based on such indicators the average age of the active population can be calculated as well as the median and modal intervals;

The structure of activity branches – the active population can be grouped by fields of activity such as agriculture, forestry, the economy of hunting and fishing being the

primary field, the industry and construction is the secondary field and services are the third field.

The Characteristics of the Labor Market of Romania

The labor market of Romania has been reinvented since 1990; some researchers say that it functions within an economy that is transitioning to capitalism, therefore being the main criterion of appreciating the differences occurring in this regard. Presently there are several important characteristics of the labor force, as follows:

- founding and functioning according to the European model, the purpose is to match the internal labor market to the one of the European Union;
- the labor resources that are supplied on the labor market are constant but the demand is remarked to be diminishing;
- the percentage of remunerated people within the whole employed population is significantly smaller than in 1990, there being many causes such as the poor politics that were adopted in this regard or the issues that have occurred internationally;
- unusual occurrences compared to the European model, which has the tendency to remain the same, exercising certain negative influences on the economy such as: the increased payment of small salaries that are unrelated to the productivity dynamics, lower salaries in the private field than the public, the lack of transparency when employing or the pretence of it, delaying payment of social insurance from a great number of public or private firms;
- the inclusion in the education of people of appropriate age has diminished and the dropout rate has alarmingly increased;
- the inadequate protection of employees;
- the improvement of the professional structure of employees;
- the steadily increasing labor force migration.[9, 20 – 45]

The Supply and Demand of Labor

The labor market is founded upon the meeting and confrontation of supply and demands, it is existent in every country.

In what concerns the total work volume that is necessary to a country during a certain period, it is represented by any type of activity that is begun or already exists within society which generates the need for labor. However, it is not holly a demand that is

manifested on the labor market. The general condition of the need for labor to take the form of a demand is remuneration. Thus, within the labor demand, there are not included activities that can be carried through by housewives, the military in a term, students or other unemployed people. [10, 512]

Thus, the labor demand is the need for remunerated work which occurs at a certain moment within a market economy. It is expressed by the number of workplaces available.

The fulfillment of the need to work is done through the volume of work that the population apt for work of that country is willing to do.

The labor supply is represented by the labor that the members of the society can do in exchange for a salary. Therefore, within the labor supply housewives, students, militaries in term and other people doing unplayable activities are not included.

The labor offer is represented by the number of people that are apt for work from which the number of housewives, students and people that do not wish to engage in any activity because they have other resources or other occupation is subtracted. [5, 145]

The supply and demand of labor must not be considered simple and direct extensions of the supply and demand of economic goods on another market, but as specific categories with unique content. In this regard, the following aspects have to be taken into account: [8, 165]

- On the short term, labor demand is fairly invariable because the development of existent activities as well as the creation of new ones that could generate workplaces require a certain period of time;
- The labor demand is formed over an extended period of time in which every generation is raised and educated until the employment age;
- The possessors of the labor force have a relatively limited mobility, people do not move from a city to another nor do they change their job easier, but they are attached to the socio-economical environment even though they do not have economic advantages. In addition, labor supply depends on age, gender, health state, physiological aspects, labor conditions etc., aspects that are not necessarily economical;
- The labor supply is perishable and has a relatively rigid character. The supplier must live, he cannot wait an undetermined period of time for one job;

- The youth generation is not raised as merchandise or only to become employees but as human beings. That is why the labor supply is not exclusively formed based on the principles of the market economy;

- The supply and demand are not unitary; they are made of anticompetitive or little competitive fragments and groups which either cannot substitute each other or can very limitedly do so. [10, 513]

In what regards the labor market as an expression of the supply and demand rapport, it has two phases. [3, 255]

- The first phase manifests itself on large fragments of supply and demand determined by the technical-economical features of activities. Through this phase the general conditions of employment are outlined, the principles of salary establishments are formed and a certain tendency to set the salary on a higher or lower level.

- The second phase is a continuation of the first. This is represented by the meeting of supply and demand of labor, according to the firm's and its employees' conditions.

The demand is outlined as a volume in accordance with the agreements and other responsibilities of the firm.

The supply is represented by the work schedule, the amount of overtime which the employees consent to or not, depending on their needs and desires, their economic and social status.

The amount and dynamics of the nominal salary are determined by the confrontation between supply and demand. Thus, the insufficiency of supply manifests itself through an additional demand in the first phase and the insufficiency of demand translates to an additional offer within the same phase. [11, 156]

Therefore it can be said that this confrontation between supply and demand takes the form of a conflict which results in a relatively fragile balance. By comparison to other markets, the supply-demand rapport on the labor market is objectified through agreements that have a continuity and periodicity that are most times determined by the work-capital relation.

This characteristic occurs because the labor market is governed by demographic, psychological and moral laws aside from the economic ones, although the interest of the economic units is to keep their staff being bound to ensure salary. [12, 253]

Therefore, it can be said that the supply and demand of labor is the main condition for creating a balance within the labor market. This significant role goes to the relation between the offered of a workplace (the employer) and the one requesting the specified workplace (the employee), the relation that focuses on the basic activity (labor) and its value (salary) in order to satisfy both parties' needs.

Connections between State and the Labor Market

The labor force is constituted within a market, within a free economy. The state oscillates between giving full liberty to the labor market and adopting an action to limitedly correct people and activities. [10, 515]

What needs to be underlined is that the offer of workplaces meets the demand through different channels and the state needs to intervene in favor or detriment of one of the parts.

If the state intervenes in the labor market, it is done by general and established laws, the state taking responsibility because its intervention may cause a certain imbalance.

Thus, it can be said that the state plays an active part in sustaining and promoting workplaces.

The state is not the only one that can intervene on the labor market, it is also influenced by a series of factors such as economic, education and social insurances policy, and less the policy of workplaces.

The state interferes with work relations through judicial norms, thus establishing the general environment for collective negotiation, stimulation of economic development and employment of graduates.

The state's role, through its specialized authorities, is to distribute labor and issue work permits, to control the manner in which the labor legislation is kept, employers' obligations and employees' salaries. The role of the state in labor relations is manifested through legal activity.

Another aspect of the state's interference on the labor market is the one of professional training. Professional training is the activity which is usually developed in an organized manner during a certain period, in view of exercising a profession or occupation.

Therefore, as is it also stated by academic literature, professional training is made of two parts: initial professional training and continuous professional training, professional training being an important element which founds the development and improvement of the activities of the employed people.

Through its functions, the labor market is involved in the transition [13, 160] process especially through the continuous professional training fragment which makes the mediation of the supply, the adjustment of supply and demand.

The Regulation of the State's Intervention in Labor Market and in Labor Relations

In what concerns the state's intervention in the labor market, it is regulated by a series of constitutional dispositions.

Thus, according to article 135 of the Fundamental Law, Romania's economy is a market economy based on free initiative and competition and the state must ensure: the liberty of commerce, the protection of loyal competition, a favorable environment for valuing all production factors.

In the same way, article 47, align 1 of the Constitution institutes the state's obligation to take measures of economic development and social protection to ensure the citizens a decent lifestyle.

Also, article 41 refers to the fact that the right to work cannot be restricted. Choosing a profession and a workplace is a free act.

Article 45 provides the free access of the individual to economic activity, free initiative and exercising these within law conditions is guaranteed.

The Areas of Activity of the State on the Labor Market and Within Labor Relations

The state mainly interferes with labor relations through judicial norms. This way, there are generally established the general environment of the activity of the social partners, the development of collective negotiation, professional training, the stimulation of economic development etc.

The state, through its specialized authorities, distributes labor, ensures the protection of Romanian citizens who have their residence in Romania but work abroad, issues labor permits to foreigners etc. Another responsibility of the state is to control the way in which the labor legislation, the rights of employees and obligations of employers are kept. [14, 5]

The legislative activity of the state within labor relations

A significant role of the state within labor relations is manifested through the legislative activity.

The norms regarding labor legislation are divided into several categories:

- Judicial norms that regulate the collective labor relations;
- Judicial norms that regulate the individual labor relations.

Apart from these, there are also the dispositions regarding labor administration but also others such as the tripartite dialogue organs. [15, 130 – 131]

Labor legislation is protection legislation. The legislative intervention of the state in the labor market has materialized in numerous normative acts, the most important being the Labor Code.

The legislative activity of the state within the economic domain

The state is an important factor for the well functioning of the national economy. Because of the legislative intervention of the state as well as due to the encouragement of economic development, the state is granted new means of interference in the economic activity.

Because of the development of market economy, the state has a series of functions that act in the following directions: the efficient value of resources, ensuring their correct distribution, establishing the macroeconomy as well as correcting the macro economical imperfections of the economy market.

The state can create jobs by creating public functions or encouraging local collectivities.

Practically, the state's role in regards to workplaces is not well defined because there has to be delimitation between the tendency to stimulate investments and the help granted to the troubled economic agents.

Investments are not necessarily creating new jobs and the loans and grants of the state can prolong the life of economic agents but what must be underlined is that they cannot survive without a deduction of employees.

Limits of the Role of the State

Due to the fact that the role of the state on the labor market and labor relations is not sufficiently delimited by the academic literature, the state oscillates between given liberty to the labor market and adopts a form of action that is limited to certain people and activities.

In what concerns the first tendency, meaning the state's absence from the labor market, it must be stated that within a free economy the labor force is constituted on a market like any other. The ones desiring a job can benefit from one without the interference of the state.

Regarding the second tendency, meaning the intervention of the state in the labor market, it can imply certain risks, meaning that the state's intervention can cause an imbalance in the market. However, it must not be forgotten that the labor market functions based on set rules for which the state takes responsibility.

Otherwise, it can be said that the active role of the state is to sustain and promote the labor force.

The state of the labor market results less from employment policy, especially from economic policy, education or social security.

References:

- [1] ȚICLEA Alexandru, POPESCU Adrian, TUFAN Constantin, ȚINCA Ovidiu, ȚICHINDELEAN Marioara, Labor Law, Editura. Roseetti, București, 2004;
- [2] GRIGORE Liliana, Labor Market, Theories, Reality and Perspectives, Lumina Lex Publisher, București, 2000;
- [3] VIERIU Eufemia, Labor Law Treaty, Pro Universitaria Publisher, București 2016;
- [4] IONICĂ Maria, MINCIU Rodica, STĂNCULESCU Gabriela, Economy of Services, Uranus Publisher, București, 2007;
- [5] ȘTEFĂNESCU Ion Traian, Labor Law Treaty, Vol.1, Lumina Lex Publisher, București, 2003;
- [6] DOBRE Mihaela Hrisanta, Labor Market in Romania, ASE Publisher, București, 2007;
- [7] GRIGORE Liliana, Labor Market in the World, Lumina Lex Publisher, Bucuresti, 2000;
- [8] BRATU Constantin, Labor Law, ArtPrint Publisher, București, 2002;
- [9] RĂBOACĂ Gheorghe, Labor market. Theory and practice, in Work and Social Progress nr. 1/1990;
- [10] VIERIU Eufemia, VIERIU Dumitru, Labor Law, ProUniversitaria Publisher, București, 2010;
- [11] POPPER Laurențiu, VOICULESCU Nicolae, Industrial Labor Law, Perfect & Ed. Printech Publisher, București, 2007;
- [12] VIERIU Eufemia, VIERIU Dumitru, Labor Law, Lucman Publisher, București, 2004;

- [13] GHIMPU Sanda, ȚICLEA Alexandru, Labor Law, Șansa Publishing House and Press, București, 1994;
- [14] MURARU Ioan, TĂNĂSESCU Elena Sivina, Constitutional Law and Public Institutions, Vol II, All Beck Publisher, București, 2004;
- [15] TUFAN Constantin, ȚICLEA Alexandru, Labor Law Treaty – course for student use, Global Lex Publisher, București, 2001.