UNEMPLOYMENT – THE MACROECONOMIC IMBALANCE

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Abstract: *Through the socio-economic generated implications, unemployment is a very complex social phenomenon. The economic reality showed there is no single solution for unemployment. There are no pure and perfect solutions, only integrated programs in the anti-crisis political system. The phenomenon itself cannot be eliminated, it can only be addressed. Through the socio-economic generated implications, the unemployment is a very complex social phenomenon, being related with poverty. Unemployment induces a drastic decrease of the living standards. As a macroeconomic complex imbalance, it impacts all the compartments of the national economy. The economic history of our century reveals that unemployment has become a mass nature. The financial difficulties of the companies, inlet by covid-19 global crises, caused a mass disorder of all the economic activity, impacting the labour market and a concern of the government to find ideal solutions to increase employment.*

Keywords: unemployment, natural unemployment rate, social phenomenon, global crises

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1. Introduction

Unemployment represents a negative state of economy, emerging as a strong imbalance in the labour market that implies that the supply of the labour power is higher than the labour demand. The word “unemployment” (in Romanian “șomaj”) comes from the French word “chomage”, taken from the Greek “cauma” meaning “great heat” which led to interruption of any activity [1]. Unemployed is called any person who applied for a job at the employment offices and the request was not met by the end of each month, regardless of the application type: for permanent or temporary, full time or part time or for a job change for a more appropriate to their own qualifications or aspirations.

2. Literature and practice in the field

Unemployment is an economic phenomenon that implies that labour supply is larger than the labour demand. The offer does not concern all the population able to work, but only the one willing to get employed as salaried workforce.

Considering the labour demand is determined by demand of goods, unemployment is the result of the global reduction demand of the goods and services. [2]

Marxist theory explains the unemployment origins in the capitalization structures. The accumulation of capital combined with the introduction of technical progress determines a faster increase of the constant capital, through the material means of production, more than the variable capital which implies the employees payment, that

leads to the replacement of labour by capital.

Unemployment is the result of an excessive growth of the population in relation to available productive capital, or to low income level, which causes an inappropriate flow of savings, a situation combined with a rigid technology. The reduced savings and the insufficient demand prevents the production development and, thus, the increase the number of jobs.

The specialized literature talks about absolute employment representing “any individual willing to work can find a job in the neighborhood, a job that suits him, in the desired field, in decent terms, at any given time, etc., regardless of global movements, foreign competition, monetary oscillation, climate and harvest inequality, technical investments, a change taste”[3].

In this broad sense, full occupation means providing of a workplace to every individual able and willing to work, ensuring a full consistency between the expertise and individual desire and the actual job he/she performs.

This represents an ideal, in an ideal society, certainly. The economic reality showed there is no 100% absolutely employment of the fit to work population, or a fully consistency between the specialty, professional competence, individual preferences and desires on one hand, and the position held, the position they have to fulfill, on the other hand.

Considering some leading economists in history, we conclude a balance can be achieved and the power labour can be used in normal circumstances, if there is an underemployment of 2-5% of active population, which means the employed population reaches 95-98%. Others argue that the unemployed population should not include the individuals not willing to work, not looking for work, and do not work. A current topic concerns the minimum age a person can be included in “active population” and the maximum age that

implies the exclusion from the “active population”.

Starting with the 80's the unemployment becomes “natural”, by “natural” understanding the unemployment level where there is no inflation, under the same parameters does not generate price increase. The promoters of marginalist current, along with Milton Friedmann, deny the state necessity to intervene in reducing the unemployment, saying there is a limit to demand actions level over the employment level, a limit beyond the actions would stimulate inflation.

On the other hand, adepts of classical economy, represented by Adam Smith, David Ricardo, John Stuart Mill, Jean Baptiste Say, support only the voluntary unemployment, to those category of people who will not work for the given salary by the entrepreneur, when the labour power is greater than the demand for labour. They do not support the state involvement in economy and claim that the market can self-regulate and it can balance automatically the equilibrium between labour supply and the demand.

The absolute employment is compatible with the natural rate of unemployment, with the normal unemployment.

3. Unemployment – the macroeconomic imbalance

The reasons that led to an economic turmoil in 2020 were the outbreak of covid-19 in the beginning of 2020, which globally determined the governments to take drastic actions in social distancing. The actions were intended to reduce the virus spreading and forced the economic entities to temporary close their activity. Therefore, these entities had to fire their employees or to register them in technically unemployed. There was a temporary regress or a stop in hiring people, there was a change in the working schedule, and the work conditions and the need for labour were analyzed by every economic entity. The digitalization of

all the economic activities in every sector of activity proved to be really necessary.

The data offered by National Statistical Institute (INS), for January 2021, showed the estimated number of unemployed was 474.000 people, age rank between 15-74.

Analyzing the situation, the rate of unemployed men is by 0.2% higher than the women rate (namely 5.7% men and 5.5% women). 4.4% was the estimated rate for January 2021 for the adult population, aged between 25-74 (namely 4.6% men and 4.2% women). This age rank represents 73.9% of the whole unemployment estimated for January 2021 [4]. We conclude the number of the unemployed men exceeds the number of unemployed women in January 2021.

According to the National Institute of Statistics, starting with 2021, the methodology of the Households Labour Force Survey has been reformed to compel the new European regulations which take effect starting in January, the 1st, 2021. All these measures have major impact on the estimates on the employment and the active population numbers. Hence the provisional data provided for January 2021 cannot be compared to the ones published for previous periods.

The unemployment level can be determined in relative or absolute form. The absolute size of unemployment is expressed by the number of unemployed, who are persons fit and willing to work, but who do not currently have a job, but are registered with the National Agency for Employment, looking for a commitment.

The relative size of unemployment or the unemployment rate, expresses the level of unemployment in a given country and over a period of time and is obtained as a percentage ratio between the number of registered unemployed and the number of the active population (Pact) [5]:

$$Rs = \frac{Ns}{Pact} \times 100; \quad (1)$$

where, Rs - unemployment rate, Ns - number of unemployed, Pact - active population.

The active population consists of employees, employers and self-employed, but also the unemployed.

$$Pact = Poc + Ns; \quad (2)$$

where, Pact - active population, Poc - employed population, Ns - number of unemployed.

The active population differs from the inactive population.

The inactive population is represented by inactive people, such as housewives, pupils and students (except those who exercise an economic or social activity on the basis of an employment contract), pensioners (except re-employed pensioners), persons supported by other persons (such as preschool children, the elderly, the disabled and handicapped people), persons maintained by the state (as children and the elderly in the care of public institutions (children's home, old people's homes, etc.)), persons who support themselves from income other than that from labor (as rent, interest, savings, annuities, dividends).

The employed population includes employees, persons employed on the basis of an individual employment contract in an economic entity, remunerated for the work performed, employers who are persons exercising their occupation in their own economic entity, self-employed, as persons exercising their occupation either in their own entity, or with the help of a machine, or on the basis of professional training, but who do not have employees, unpaid family workers, as people who work in a family economic unit run by a family member or a relative, for which they do not receive remuneration in the form of salary or payment in kind.

Analyzing at European level, based on data provided by Eurostat (European Statistical Office), the unemployment rate remained at 7.3% in the European Union in January and

at 8.1% in the euro area compared to the previous month [6]. Regarding the 27 EU Member States, the highest unemployment rates in January were in Spain (16%), Lithuania (9.6%) and Sweden (8.8%), and the lowest in Poland. (3.1%), the Czech Republic (3.2%), the Netherlands (3.6%), Malta (4.4%) and Germany (4.6%). Eurostat estimates that, in the euro area, about 13.282 million people (out of the total population estimated at 330 million) were unemployed in January, 8,000 more than in December. Compared to January 2020, the number of jobseekers rose by 1.465 million in the EU and 1.010 million in the euro area. In January, 2.929 million young people in the EU were unemployed, of whom 2.356 million were in the euro area. The under-25 unemployment rate stood at 16.9% in the European Union in January and 17.1% in the euro area compared to the previous month.

In our country, in Romania, according to the communications made by the National Institute of Statistics, the unemployment rate is decreasing. We notice that Romania occupies a better place in terms of employment compared to other European countries, and the support measures offered by the authorities to companies could lead to a reduction in unemployment in our country. A delicate issue in our country is the retention or lack of interest of the fit to work population to register with the Labor Office, if they are looking for a job, and hence the relative veracity of the results regarding the number of unemployed in our country.

Looking back, in 2020, the unemployment rate reached its highest level in three years. It was observed that, starting with March 2020 (in February the unemployment rate was 3.9% and in March the unemployment rate was 4.6%), with the first restrictions imposed by the government, the unemployment rate began to increase, reaching its peak in the second quarter of last year (in June 2020, the unemployment rate was 5.2%, in July - unemployment rate was 5.4%, in August - unemployment rate

5.3%, in September - unemployment rate 5.2 %). The third quarter of 2020 came back on track, so that by November the unemployment rate had reached 5.1%.

Starting with the third quarter of 2020, as a result of the relaxation of isolation measures, there is a timid resumption of the activity of economic entities.

This pandemic crisis has severely affected economic life and the labor market. Economic activity has declined, and the consequences on the labor market are substantial.

The financial difficulties faced by companies could also impact the labor market more broadly. The economic impact of the coronavirus crisis varies from one industrial sector to another and from one enterprise to another. It depends on a number of factors, including the ability to adapt to supply chain disruptions, the existence of stocks or dependence on "just in time" production processes.

The International Labor Organization (OMI) has analyzed the impact of the Covid-19 crisis and estimated a low impact in the health, public administration and defense, education and public services sectors, a low-medium impact in agriculture, animals, fisheries and forestry and an impact medium-high in construction, financial and insurance activities, as well as in mining. On the other hand, it has been estimated that the sectors that will be severely affected by the pandemic will be those related to arts, entertainment, recreation and transport, as well as those that include accommodation and food services, real estate, administrative and commercial activities, manufacturing industries, retail trade, as well as those whose object of activity is the repair of motor vehicles. Reality has shown that digital marketing professionals, online training experts, data analysts or experts in cyber security and in various areas of health can find a wide range of possibilities. For many others, the time has come to reinvent themselves [7].

The pandemic has affected employment opportunities for young people, and according to data provided by the International Labor Organization, young people face major obstacles that prevent them from continuing their training and education, trying more jobs or entering the labor market. All this difficult period has shown the importance of digitalization in all economic entities and the obligation of some to reinvent themselves. The entire labor market has gone through an unprecedented process of transformation. The crisis caused by the pandemic is a shock to the national, European and global economy, but also to the living standards of the population.

4. Conclusions

The economic reality has shown that, in periods of economic expansion or economic

boom, employment is high and unemployment is low. During periods of recession or economic crisis, high unemployment was observed, with negative implications for society.

The crisis we are trying to overcome is the consequence of an unpredictable situation that has forced us to reinvent ourselves, to address the issue of digitization in whatever field we have our business and to make quick decisions. At this moment, the dialogue between all the social agents involved is essential, for the design of new formulas to support employment. On the other hand, the reality has shown that there are sectors that have been less affected than others, but what is even clearer is that the pressure on the health sector is the most important element to control worldwide.

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