UNEMPLOYMENT AND ECONOMIC PERFORMANCE

Prof. Constantin Ciurlău Ph. D
University of Craiova
Faculty of Economics and Business Administration
Craiova, Romania
Lect. Florin Cristian Ciurlău Ph.D
„Dimitrie Cantemir" Christian University
Faculty of Finance, Banking and Accountancy
Bucharest, Romania
Lect. Andreea Maria Ciobanu Ph.D
University of Craiova
Faculty of Economics and Business Administration
Craiova, Romania

Abstract: In preparing this study, we started from the idea that the assessment and sizing performance of a national economy is a very complex and difficult process due to multiple issues, phenomena and processes that must be considered - some of them less suitable for rigorous quantification. In the latter category falls and unemployment. For this reason, we wanted to highlight a number of links between the forms and causes of unemployment, on the one hand, and national economic performance, on the other hand, through the various theories in the field, and to formulate a number of considerations on the effectiveness and appropriateness of different types of policies to combat unemployment. Full employment in the economic sense, must be a top priority goal of the modern economy in a democratic society based on the rule of law.

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1. INTRODUCTION

Declared stakes competition between the two socio-economic systems has coexisted well is the performance of the last century, namely economic performance. Central concern of economics is the use of scarce resources and limited how best to meet unlimited needs and constantly diversifying. The problem is how to approximate performance under these conditions. Our view is that performance must reflect both terms of the binomial respectively, namely both full and complete use of available resources and result in monetary expression usually full use of them. Commonly it is envisaged only the sheer size of the result, judged by criteria more or less objective, ignoring the utilization of resources. Fact has important implications when it comes to human resources, labour force, whose peculiarities are well known. The question can be considered efficient if an economy characterized by labour underutilization by unemployment, even if some monetary proceeds can be considered satisfactory, namely when a large part of the

working age population is affected by a complex of frustration. In our opinion, the answer is no, if only for the fact that unemployment is wasting the most productive resources of society. Unemployment pay, of course, arguing by a complex of factors. Different views on the subject are reflected in the various theories of unemployment, which in a free market is trying to justify his unrelenting and persistent nature [1, 5, 7, 12].

2. SOME GENERAL CONSIDERATIONS ON UNEMPLOYMENT

Unemployment is unquestionably an undesirable phenomenon, which is easy to prove, even if we consider only that theories of unemployment, old and new economic policy implications, especially in terms of opportunity to reduce aid unemployment [9]. Everyone agrees that the unemployment rate should be maintained at a reasonable level, although nobody can say for sure what is meant by this level.

The problem of labour-both in terms of interest essence of economic theory on the use of limited resources to meet unlimited needs and concerns because they generate. Thus, the absence of a job involves social and personal costs, meaning that brings a sense of confidence in themselves, incite criminal behaviour induces flagrant inequalities between different segments of the population, creates difficult situations for governments generate lower revenues and increased government spending can cause loss of elections by political forces in power [11]. Unemployment remains an undesirable phenomenon regardless of the point of view from which things are viewed.

The entire above highlight the importance of proper definition of unemployment and the unemployed, and the problem is not as simple as it seems at first glance. The most controversial aspect in this issue is, in our view, the fact that should be considered unemployed all persons who have no paid employment or those who are not in paid employment although the corresponding working age. In both instances the answer is no because, in our opinion, some of those who do not have a paid job or have reached the age required for retirement and that in common cases, people do not engage in reason, and further education and family care [9].

The simplest solution would be rational and to consider all individuals who declare themselves unemployed so to be registered as such in the records of authorized institutions of the state, namely persons available for work but not currently in paid employment [10].

The solution is considered, however, entirely satisfactory because underestimation or overestimation danger unemployment levels [4]. Thus, there are people who are not registered as unemployed although they accept to occupy a vacant but at the same time, do not qualify to collect unemployment benefits, or other reasons, according to the registration system in each country - the example, in the UK not recorded as unemployed people under 18, because there are qualification programs for all adolescents aged 16-18, or men over 60 who do not have jobs, because receiving unemployment allowance not be subject to this. On the other hand, there are those who declare themselves unemployed due to receive help, although they have a paid job, and people who, for a relatively short period of time necessary to transition to another job, is to work empty, like unemployed who have no employment prospects in the near future. For this reason, be taken into account during the vacancy, not only unemployment [6]. However, there unemployed who are not intending to engage but fall into the same category as those who actively seek gainful occupation.

From the above difficulty is another classic in the field, namely the unemployment structure involuntary unemployment and voluntary unemployment. For example, a highly qualified person who has lost their job refuses to take a job available well below its level of

preparedness. Individual is, in a sense, voluntary redundancy, but can be and whether it would be appropriate to society for that person to accept a job far below his level of training. Usually considered involuntarily unemployed persons able and willing to work in exchange for current market remuneration, but cannot find gainful employment. Consequently, it is voluntarily unemployed people without a job, but is not willing to take a job in the current market remuneration [5]. Definition seems simple and clear, but it is a generalization that tries to cover the entire labour market. There are, in fact, many current salary levels, different sectors, so it is necessary to analyze individual cases separately.

Remain in suspension and content of „full employment" - are usually it is the absence of involuntary unemployment, no matter how it is defined. In practice accepts, however, that total employment is compatible with a certain level of unemployment, because there is always a variety of reasons, people occupied. Appreciated, since 1944, that at an unemployment rate of 3% of the labour force, total employment may be considered [3]. Later he introduced the concept of „natural rate of unemployment" which designates that level of unemployment that inflation remains relatively unchanged [5, 7]. Studies in several countries this rate stands at a significantly higher value than 3% of the workforce unemployed.

3. THEORIES OF UNEMPLOYMENT CONSIDERED TRADITIONAL

There is always, in any country in the world, a certain level of unemployment, which bears a name or another, or frictional, structural, technological, cyclical, seasonal, waste and so on, according to the case which causes [10] - for example, there unsynchronized between leaving a job and another time employment, intervene implications of technological development on the labour market, some industries have seasonal fluctuations, some segments of the labour force do not have the minimum qualifications to ensure easy access to a place of paid employment. It is considered, however, that the situation is really worrying when people get stuck between two jobs. Researchers' interest is captured, particularly for large-scale unemployment and persistent over time, which can be called mass unemployment - its interrelationship with macroeconomic performance is unquestionable.

There are two major explanations that a large number of people come to involuntary unemployment and remain jobless for a long time, both belonging to so-called traditional theory. The first one is the classic explanation or relative to contemporary theory, neoclassical and Keynesian second explanation is [5, 11].

Mass unemployment neoclassical explanation focuses on real wage rates formed the basis of regularity for allocation finite resources when markets are allowed to operate by this principle - is eliminated, thus continuing deficits and surpluses by adjusting the price of the goods in question under the influence of demand and supply. Unemployment is assimilated to a surplus of labour. Commodity price to work, namely real wage rate can go down, according to neoclassical theory, until no unemployment, because supply and demand for labour are functions of real wages (real wages is more significant for workers).

On any given real wage rate is a certain level of unemployment. According to the theory, this cannot be considered unemployed involuntarily - people are unemployed because they cannot accept a lower real wage, they are not willing to offer their services for less money, which is why we can say that unemployment is voluntary. To the actual real wage is considered a number of jobs available, fewer than the number of workers willing and able to work on that salary. The situation is not going to persist for a number of support workers to provide services for real wages lower than envisaged. Real wages begin

to move down so that employers can use more workers and at the same time, workers are willing to offer their services become fewer. The process continues until real wages have stabilized at a lower initial level and the number of workers employed stabilizes at a higher initial number. Unemployment disappears because labour supply is equal to demand correspondence. Everyone who wanted a job with real wages currently paid managed to get it. But there are people who continue to be unemployed, although could get a paid job, because they are not willing to provide services at the current rate of real wages. Persons are voluntary redundancy. Involuntary unemployment remains therefore foreign to this type of approach, as well as the possibility of persistent mass unemployment - unemployment other categories are excluded.

In such an approach, it seems that unemployment cannot be persistent when the economy is functioning properly - persistent unemployment is, in our view, a symptom of lack of performance. Persistence of unemployment in the economy of the last century can be attributed, in theory, the real wage rate locked due to too high but may descend to the appropriate value. The question is why not carried the process through which the unemployed to reduce wage claims under the existing real wage, which would force general diminution of pay. Explanations or union action that prevents cutting salaries to the level of equilibrium (as such unions are responsible for unemployment) or too high level of unemployment benefits (not stimulate the unemployed to provide services for real wage that dissipate excess labour market). According to this alternative theory, unemployment is caused rather by the lack of accurate real wage expectations, not its inadequate level. As already noted, of concern must be real not nominal wage salary. Of particular interest is the actual money received, but price changes create some complications. Usually, in modern economies decreases the rate of nominal wage increase, not reduce actual salaries. Workers perceive this reduction as a decrease in real wages due to inflation. Decrease the number of workers willing to offer their services and increase unemployment recorded. But the phenomenon may be due to a misinterpretation of workers, because there is a high probability that reduce the growth rate of nominal wages is accompanied by lower growth rate of all prices, probably caused by reducing aggregate demand. Basically we cannot say that real wages have dropped. Workers can realize this and to offer services again, but until that happens unemployment continues.

According to some opinions authorized field [9], we can make some observations on the neoclassical theory of unemployment, as follows:

- First, is the fact that the explanation given above is really appropriate highly competitive market conditions, because only in such conditions prices are set by the interaction of supply and demand forces and individual factors are not able to change the outcome. The labour market is far but strong competitive status, and this for several reasons, such as the work of professional unions, employers in various industries power, barriers to entry in different professions (these factors affect the functioning of the labour market and, as a result, and how its response to the phenomenon of unemployment);

- The second refers to the social objectives of each country. If you need to reduce congestion considerable real wage market for social acceptability question is this - it is part of the debate on the desirability of introducing a minimum wage. Said minimum wage creates unemployment but from the perspective of neoclassical theory, if its level is higher than the equilibrium wage. If the equilibrium wage is considered too low to provide an acceptable standard of living, unemployment can be seen as the price to be paid for it - but it is possible to seek alternative approaches to eliminate excess labour without drastic reduction in salary.

Reducing real wages as a means of adjusting the labour market in an unemployment situation is problematic, even J.M.Keynes reported. As mentioned competitive situation, workers are faced with nominal wage decrease, but the decrease rate of nominal wage increase proportionally lowers inflation, because it causes a reduction in the cost of economic growth. Real wage and the unemployment rate do not change. There is therefore a functional mechanism to reduce real wages - particularly important observation because it suggests the idea of involuntary unemployment. It is possible, in theory, the unemployed are willing to accept lower real wages, but did not provide any mechanism by which they can achieve this goal - as a result they can be considered involuntarily unemployed. The problem is compounded when workers are concerned with wage hierarchy in a position to lead them to reject the decrease in the growth rate of wages - may lose their ownership position in the hierarchy.

Keynes formulated our vision and long-term causes of high unemployment, which can be considered a second unemployment traditional theory [8]. Central place in Keynes's analysis on this issue is the level of aggregate demand (not real wage level). From this perspective, it is too low aggregate spending in the economy. According to Keynes, the real wage depends on the level of employment, not vice versa as claimed by neoclassical theory. Similar phenomenon is somewhat cyclical unemployment, which it claims to have always existed. It acknowledged the economic cycle as inexorable reality in all so-called market economies (classical business cycle can be discussed in an economy performance).

It is recognized that there is a certain level of unemployment associated decline phase of the economic cycle. From the perspective of neoclassical theory, cyclical unemployment is addressed erroneous perception of workers from wage and price inflation slowing, postnatal determinants of declining demand. But Keynes went on, in that, in his view, involuntary unemployment caused by the deficiency of demand could last forever if demand does not change. The situation can be illustrated by the diagram at 45^0.

Appropriate national income situation of full employment is the level of income and expense that companies take the production to the full use of the existing workforce to ensure an adequate income. The difficulty comes from the fact that the equilibrium level of national income is below the level required to ensure full employment - unemployment occurs. Moreover, the economy is stuck in this position until the change in the level of aggregate demand. The logical consequence is that whatever causes a significant decrease in aggregate final demand in the economy can be considered a cause of unemployment. The simplest explanation of excessive unemployment, from this perspective, is the attitude adopted by the governments anti-inflationary economic policies applied - to reduce inflation were used levers to alleviate demand pressures on prices, including interest rates, resulting in unemployment.

The problem can be addressed, however, in an alternative way, considering that the economy is in a vicious circle in which the market system cannot escape. There are people out of work who would agree to work at the current wage. There are companies who want to produce goods and services if they know that they will be purchased by anyone. Unemployed if they were employed, and received wages would spend to buy goods and services produced by firms if they are convinced that market. As a result, the system might work. The problem is that there is no mechanism for moving from the current position to a new one, the new wages are earned for work, and the new goods and services are produced and purchased. As a result, unemployment will continue to exist [9].

The idea that the economy might block a certain inconvenient position is an important aspect of Keynes's theory on unemployment [8]. There were lively discussions

on the mechanisms by which the economy might move back to the position of full employment. The best known of these is the so-called „real balance effect of," according to which if unemployment would generate lower wages and prices would rise simultaneously increase the real value of the currency in possession population balance, which would result in increased aggregate spending followed by lower unemployment. Unemployment cannot persist if prices are flexible. According to classical or neoclassical theory, unemployment may occur due to certain conduct of the business cycle or erroneous understanding of the variation in real wages. The situation could not continue due to real wage adjustment would gradually dissipate excess labour. Consequently, the analysis is channelled, and is reduced to this, to the degree of flexibility of prices, especially real wage. The veracity to keynesian theory of unemployment is in inverse proportion to real wage flexibility.

As a result, newer theories of unemployment tend to focus on the reasons for the lack of flexibility of wages and how the latter could explain the existence of unemployment in modern economies. It should be noted however that, according to some economists, the real problem is price flexibility Keynes, though he argues that in a market economy, real wages cannot fall to the level required. Also, bear in mind that Keynesian theory of unemployment includes other factors, such as feelings of confidence in the business climate and its influence on investment decisions of economic agents, in tandem with the role of money in the modern economy [8].

4. LATEST THEORIES OF UNEMPLOYMENT ON THE MARKET ECONOMY

They advanced relatively recently, various alternative theoretical approach to explain the persistence of unemployment on a large scale, including increasing returns theory, according to which the economy tends to be characterized by increasing returns (production scale decreases with increasing unit costs production), emerging small businesses cannot compete older, well established in the market. The natural consequence is that the unemployed cannot set up their own company to avoid the effort of finding an employer to provide wage. An unemployed person alone cannot produce at a level to make it somewhat competitive in terms of price with the companies already on the market. As a result, unemployment persists. This explanation is, however, atypical. Common factor is to provide new explanations of the reasons rigidity of prices, particularly real wage, even in conditions of unemployment. These explanations operate implicitly with the hypothesis that, in one way or another, is always associated with persistent unemployment too high real wage, whether real wage is too high and cannot be adjusted downward (classic view) whether unemployment caused by a deficiency of aggregate demand cannot and will not be overcome by adjusting the real wage (in Keynesian perspective).

Lack of real wage mobility, from which the persistence of unemployment has different explanations, including an explanation emerges based on typical costs significantly associated with price changes. Businesses are keen to give the impression that ensuring price stability, reduce consumer search costs. Consequently, the unemployed can reduce the cost of finding a job in the sense that they can turn to companies whose salary level is already known. The importance of this effect can be considered relative. More significant is that the wage change involves tangible costs arising in the adjustment process. Salaries changes in most developed countries through amicable settlement, which also occur after the inevitable changes of an administrative nature, necessarily imposed negotiated change. Social adjustment proposed by the negotiators can generate a considerable amount of costs according to the procedure adopted and the speed with which

it produces. This explains that the relocation procedure takes place wage in most states, once a year. This automatically means that there are opportunities for either employers or workers to try to change the real wage.

Wage rigidity is motivated by the intervention of tacit agreements and wage labour efficiency. They are used as explanations of unemployment persistence [5, 7, 11, 12].

Salary tacit conventions require that workers show generally a pronounced aversion to risk aversion which is a common assumption in economic theory. Consequently, workers prefer a stable pay, even though the average variable salary would be greater than the value fixed salary. Some employers may be willing to provide a stable salary, especially if they can provide so some gain (concessions from workers regarding the rules or working conditions). Major wage agreements tacit implication is no freedom of movement of wage - economy in a position of unemployment cannot be expected to travel down to dissipate the excess wage labour.

Efficiency wage theory is based on the observation that, in general, employers do not really know the productive capacity of the employees that they use or know less than the workers themselves. Employers can assess labour productivity by measuring the actual production, which does not necessarily provide an accurate picture of potential productivity and allows only the evaluation of workers employed, and not the potential. This has many implications, and all suggest that wages remain at a higher level than would exist if employers knew exactly real productive potential of workers. A first conclusion is that companies tend to offer higher salaries may attract workers believing that such high productivity. These workers can provide a higher salary than that of others - people in this category tend to work for a firm if it offers higher salaries. But high wage increases and the costs they have to bear if a worker is fired - is unlikely to find a job elsewhere as well paid. Therefore, to avoid dismissal, employees are encouraged to work at full productive potential. Giving a higher salary but have other significant implications, and reduce the likelihood of migration of workers, especially those highly productive, reduce recruitment costs incurred by firms when they leave employment, effects on work motivation, growth productivity of a particular group of workers [2].

Efficiency wages, the explanation of the persistence of high real wages can be integrated theory of dual labour market, to get a more generalized model. Dual labour market consists of the coexistence of two sectors, one primary and one secondary. The primary sector is characterized by high wages, good working conditions, stable jobs and opportunities for promotion. Secondary sector is dominated by low wages, poor working conditions, and high rate of movement of labour and poor chances of promotion. Interference between the two sectors is limited, because the institutional rules tend to block entry into the primary sector and secondary sector feedback effects on workers within its means that they are less able to enter the primary sector. If the primary sector, the pay tends to exceed the level required to market congestion when the link between wages and productivity is important, and salary is used as a tool for recruitment and promotion of employees. If the secondary sector, the aim is easily the productivity of workers, and the link between wages and productivity is deemed insignificant. In the secondary sector are not paid salaries efficiency - the pay is equal to the level necessary to decongest the market, meaning that anyone can get a job at the current level of wages paid. Workers who are looking for a job in the primary sector do not support usually an occupation in the secondary sector. In principle, they are more likely to provide time to seek work. Accepting a job in the secondary sector is an evidence of poor productivity. The unemployed from such considerations can count involuntarily unemployed, meaning that

they cannot provide employment in the primary sector although they would be willing to work on current salary in it.

A new theory has created considerable interest and has gained credibility model is the „internal-external", developed based on assumptions made similar observations with efficiency wage theory, namely that a trader may face massive costs movement of staff when you need to replace some employees (internal) with individuals outside the firm (external). Such costs include advertising costs, negotiation, conclusion of contracts of employment and training. Interns can exploit that know the size of these costs, requiring that at least some of them to be included in the wages they receive. Paying higher wages, the company would still be won only if they resort to layoffs. Growth you can ask the workers to properly market decongestion is greater with the higher service costs. Furthermore, unions may attempt to raise these costs, threatening protest action. As a result, real wages may remain stable for long periods at a higher level of congestion of the market, which means that unemployment persists. Probability of keeping unemployment is reinforced by the fact that, according to this theory, the unemployed have no power to influence the level of remuneration of those already employed - higher real wages will continue to persist even under high unemployment. Analysis can deepen dual market conditions. Interns have considerable power in the primary sector, so that employees can remain insensitive to external pressure. In the secondary sector, however, movement of personnel costs are much lower; therefore, externs become a real threat and wages are pushed very close to the level corresponding to decongest the market.

Our observation is that none of the old and new theories on unemployment does not provide effective practical solutions to eliminate unemployment, especially persistently high unemployment, the undesirable phenomenon of contemporary society.

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