

THE EUROPEAN LABOUR MARKET AND ITS CHANGES

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Abstract

Since the 70s of the last century European labour market has passed gradual changes which are connected with consequences of industrial era dominating in Europe since the second half of the 19th century. Progressive implementation of labour-saving technologies, information and telecommunication technologies changed economic activity and consequently the labour market. The structure and character of economic activity and afterward contents and forms of work were changed as well. The accompanying phenomenon of these changes in the labour market was growing uncertainty and the level of unemployment which have been becoming a commonly solved problem of the EU countries since the 90s. The goal of the paper is to outline basic trends in the development of current changes in the labour market including new forms of the labour market both regarding the content of work and its forms and possibilities of job creation outside private and public sector, namely within social economy.

Keywords: Labour market, uncertainty of the labour market, labour-saving technologies

Introduction

Since the second half of the 19th century industrial society dominated in Europe. But in the last decades have become significant changes. The changes have had impact on economic activities and labour market: character of work, structure of production, contents and forms of work have been changing. A side effect of the changes is unemployment which has become a commonly discussed problem in the EU countries. The call for a common fight against unemployment was firstly published in 1994 by the European Commission in the document Growth, competitiveness, employment – challenges and ways forward for the 21st century (European Commission, 1994).

Changes in dependence between economic growth, volume and quality of workforce

From the long-term view, unemployment and insecurity of the labour market started to grow at the beginning of the 70s last century when labour-saving technologies appeared. These technologies weakened relations between economic growth and job creation. Owing to that, the world of work changed dramatically, free workforce started to pass from the industry to the service sector. Gradually the whole structure of the economy has changed, services are becoming dominant namely both in the share in GDP and in employment. With the time production of material property stopped being crucial for the economic growth, but production of knowledge and algorithms together with flows of information and their application have been becoming the most important. This caused a change in the relation between the capital and paid work.

If there had been a relation of mutual dependence between economic growth and volume and quality of workforce typical of the industrial society, in the post-industrial society the interconnection does not go anymore (Baumann, 1998). The factor of work was becoming marginal in relation to the economic growth. The relation between economic growth and labour was separated which can be proved with the fact that the economic growth

in the second half of the 20th century started to be reached even when the number of vacancies stagnated or increased very slowly (European Commission, 1994). Similarly the International Organisation of Labour states that 1% economic growth encourages increase in new workplaces by 0.3% while the relation keeps weakening (ILO, 2013).

Even demographic factors contributed to the tension in the labour market in the 70s since the amount of jobseekers was increasing. At the time, the economic theory accepted a conception of so called natural unemployment rate where unemployment was considered being a natural phenomenon. The conception of the natural unemployment rate supposes the existence of the lowest long-term sustainable unemployment rate corresponding with a potential product. There is the question of such unemployment rate which is typical of the economy at a certain stage of development. Efforts to reduce the natural rate by means of demand oriented economic policy of the government or the Central Bank will lead to the rise in inflation (Friedman, 1968)³⁰. But in the course of time it seems that the natural rate of unemployment keeps increasing which might be caused not only by labour-saving technologies, but also by the overall change in the type and organisation of labour (move from the importance of material production to nonmaterial one). It expels not only low-skilled workers, but also profession with higher qualification which is nowadays visible.

Changes in character of work and job description

Unemployment and uncertainty in the labour market which have become a consequence of insufficient job creation have been increasing together with changes in the character of work in post-industrial societies. Rapidly applied scientific inventions and findings help labour-saving technologies enter the work process and replace manual workers. Information and communication technologies (“ICT”) prefer processes aimed at the reshape of mass to work with information. ICT application brings automation of work activities, improved management, acceleration of internal and external communication etc. Changes in the character of work cause the growth in the dynamics of sector changes. Traditional branches are suppressed and new branches based on new technologies are developing. The era when industrial enterprises fully provided the whole production process is gradually disappearing owing to outsourcing and offshoring (moving industrial production and services from domestic to host countries). Both these processes refer to a connection between industry and services and changes in the geography of industry (Dvoracek, 2007). On one hand the work performance is moving from closed premises to the field, closer to customers and clients. On the other hand, services owing to ICT are concentrated and carried out far from customers outside the territory of the state in economically more suitable areas with cheap labour force (Asian zones).

Changes in forms of work

Together with changes in the character and contents of work, forms of work are changing as well. Since the 70s a pressure on the rise in flexibility of the labour market as a consequence of fast changing environment where innovation and rapid change of production programmes can be noticed. To enforce higher flexibility of the labour market, employers are motivated by competitive pressure and effort for the highest effectiveness of invested funds. Together with changes in the character and contents of work, forms of work are changing as well.

³⁰ Milton Friedman by the criticism of Philips curve, which comes from mutual dependence of unemployment and inflation (unemployment can be reduced despite higher inflation), stated that the dependence is true only for a short-term. In the long term, the Philips curve is stabilised at a level of natural unemployment.

It is possible to ask a question how to define the term flexibility of the labour market, but it is difficult to find an unambiguous answer. The definition of the term might be found in many publications, e.g. A. Nesporová and S. Cazes: “*The conception flexibility of labour market is so complicated as its ideological interpretations. Flexibility in wider sense of the word means adaptability in contrast with rigidity.*” (Nešporová, Cazes, 2003). Flexibility of the labour market means ability to adapt to changes in the commodity and services market, but its growth is often connected with the loss of employees’ securities and the loss of stable work places. Currently, in the labour market we can see a decline in the importance of traditional occupational relations and an increase of diversities, individualization and uncertainty of work relations. Flexibility and uncertainty of the labour market are reflected in the conception of the dual labour market which was accepted in the 70s of the last century, similarly like a conception, which was originally worked out by American economists M. J. Piore and P. Doeringer (Piore, Doeringer, 1971). They divide the labour market into primary and secondary:

Workplaces created in *the primary sector of the labour market* distinguish themselves by high protection of workplaces, possibilities of a future carrier development and good working conditions. They provide high wages, extra bonuses, status, possibility of trainings and bigger chances in the labour market in the case of a job loss. It concerns workplaces set up in compliance with implementing more a more demanding technologies which are connected with the pressure on maximal use of highly specialised and qualified workforce.

Workplaces created in *the secondary sector of the labour market* are unsecured, have worse working conditions, lower work and legal protection of employees, poorer wage prospects, low possibility of personal development and also repetitive and long-term unemployment. In the secondary labour market there are mainly disadvantaged groups of inhabitants such as low skilled workers, handicapped people, mothers with children and the like.

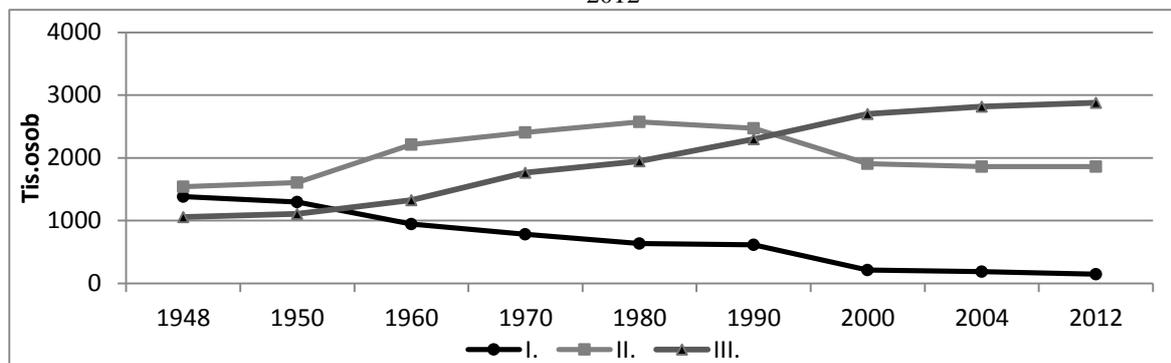
Other circumstances of changes in job descriptions are formal changes of the work which are reflected in a growth of unsecured contracts of employment. Share of employees in nonstandard workload such as forward and short term contracts, employing people by job agencies, work conditioned by trade licence and other atypical forms of employment is rising. These forms of work are in individual countries differently protected with the legislation from the risk of an unsecured job. “Economic and social mechanisms which are in the background of dualism of labour market are quite complete.” (Sirovátka, 2009). There are above all innovations, modernization and technological development requiring life-long learning, retraining and adaptation of skills which disadvantage nonqualified work. Amount of people threatened by the unemployment and job insecurity was gradually increasing and since the 90s of the last century has been showing unchanged high share of the long-term unemployment in the total unemployment. Unemployment and job insecurities in the labour market have become a part of social and economic reality of Europe together with developing disadvantaged groups of population in the labour market. These are characterised by the experience with repetitive or long-term unemployment. They do not have an access to a better job.

Czech labour market

Since the second half of the 20th century many significant changes have occurred in the Czech labour market. The amount of employed people in the labour market has increased because since the 60s women have been entering the working process which initiated feminization of work. The sector employment has changed: share of people in the primary sector (agriculture) fell at only 3% (about 150,000 people) in total amount of the employed at the time. On the other hand share of people employed in the secondary (industry and

construction) and tertiary sector (services) was going up to the year 1980, then a radical change happened and the share of people employed in the secondary sector started to fall at 38% (about 1,850 thousands of people) while in the tertiary sector the share of people employed keeps rising up to 59% (about 2,850 thousands) in the total amount currently employed people. The long-term trend in the sector economy characteristic of the reduction in the agriculture share and since the 80s even of the share of industry and at the same time growing role of services is reflected in the redeployment, see Graph 1.

GRAF 1 Development in the number of the employed in primary, secondary and tertiary sector in years 1948 – 2012



(Source: Czech Statistical Office)

The character of work is changing. The proportion of manual work is reducing, the proportion of intellectual work is rising. According to the classification of work (CZ-ISCO)³¹ in 2012 the share of mostly manually working people (farmers, craftsmen, repairmen, machinery operators, unskilled workers) accounted for 38% in the number of totally employed and 62% mostly intellectually working people (clerks, technicians, specialists, lawmakers, executives, employed in services and sale). The role and position of high-tech branches in the economy is often considered as a sign of the maturity of the society. In international comparisons, the share of people employed in high-tech jobs³² in the Czech labour market is low in 2008-2010: there were 3.2% people employed from the overall amount (about 160,000 employed). The character of work has been changing from physically towards psychologically demanding work. Requirements for workforce are rising, mainly for innovating and new technologies including information and communication technologies. The ability to learn, communicate, analyse, solve problems, change current knowledge into new one is a source of a competitive advantage. Lifelong occupation is on decline. Work as a core of the life is losing its strength. A part of the employed have a part-time job and fixed-term job. These jobs are even carried out by the self-employed (so called hidden self-employment). Work is also bought from so called agency employers, it means from employers who have – according to the law No 435/2004 Sb., on employment – a closed employment contract or made an agreement with a work agency which will temporarily assign the employee to a final user on the basis of a written agreement on so called a temporary allocation of employees. When having difficulties in selling the production, the employee can be easily dismissed. Owing to the form of employment, needed workforce is

³¹ Classification CZ-ISCO is national statistical classification of occupations made by the Czech Statistical Office to the fullest extent of international standards – International Standard Classification of Occupations.

³² Economic activities of high-tech sector are defined with a branch access by means of Classification of Economic activities (CZ-NACE) and is divided into two main categories: high-tech manufacturing industry and high-tech services. High-tech services involve audio-visual and information activities, activities in the area of ICT and research and development. High-tech manufacturing industry involves pharmaceutical production, production of computers and electronic parts, consumer electronics, optical apparatus, measuring, testing and navigational appliances, aeroplanes, spaceships and their facilities.

flexibly recruited when the demand for production is growing and on the other hand if it is lower, the workforce is operatively dismissed, because these workers are their employee. The share of part-time jobs account for about 5.5% from the total of the employed (in the EU27 on average nearly 20% employed). The share of fixed-term jobs is about 9% from the total of the employed (in the EU27 on average 14% employed). The share of agency employees in the year 2011 accounted for 4% from the total of the employed, at the time of economic expansion (2005-2008) the share accounted for more than 5% (just like the average in the EU27). The high share in total number of the employed show the self-employed. In years 2000-2012, number of the self-employed in the total employment was fluctuating between 14.2 – 17.2% where the self-employed without employees predominated (the share accounted at the time for 10-14%). In the developed EU countries (Germany, France, Austria) the share of the self-employed in the total number of the employed reached 5 -10%. It is possible to state that low flexibility in the Czech labour market connected with a low number of part-time and fixed-term does not reflect the real labour market flexibility. From statistical data on the self-employed it is not possible to distinguish exactly who really performs a job and who performs a hidden work activity and consequently to set an amount of workers whose position in the labour market is insecure. The development in the unemployment rate in the long-term shows that the unemployment rate which in the year 1999 exceeded 8% decreased at the time of economic expansion (in 2008 by 4%), but since the year 2009 has been again at the level of about 7%. It is proved that the paid job is becoming a valuable property. The labour market shows unchanged instability in the long-term, a disproportion between supply and demand for workplaces above all in the area workforce qualification of has been escalating. Even though the data of the sample survey of workforce (Czech Statistical Office: Labour Force Survey) during the year 2013 confirmed a slight increase in the total employment, the results of companies' statistics ČSÚ show a constant decrease in registered number of employees (regular workforce). It proves that the rise in employment takes place only in marginal areas of the labour market (ČSÚ - Comment). Insecurities in current labour markets are individually diversified but at the same time it is possible to identify their common impact on members of the whole social groups. Protected groups of population moving in the secondary labour market are handicapped persons, mothers coming back from maternity leave, persons above 55, young people under 20 without work experience whose insecurity in the labour market has been increasing during last years. (Sirovatka, , 2009).

Will social business become a solution of the unemployment?

Changes taking place in the labour market are showing continually high unemployment and increase of uncertainties coming from transformation of work forms and contents in post-industrial societies. They cause necessity to look for alternative solutions of job creations because the people are still dependent on incomes from work. A social business which even arises from the definition of social economy and social business for the Czech Republic itself can become a suitable alternative: "It is about a summary of autonomous private activities provided by different types of organisations which are targeted at a service to their members or local communities mainly by means of business. Social economy is aimed at a solution of employment issues, social cohesion and local development." (Mészáros, 2008). The most significant Czech researcher and most productive author in the area of social policy Magdalena Hunčová considers social economy as an alternative solution of a crisis of the social state (Hunčová, 2004). But the crisis of the social state is a part of general social transformations, primarily of the fact that the workforce stop being a factor of economic growth.

Acceptance of the conception of social economy by Czech society

Ability of the Czech society to understand the conception of social economy is strongly influenced by its history. The core of social economy might be found in self-help communities, voluntary and public beneficial activities which became a part of the Czech culture already during the 19th century. For example Women's production society established in 1871 with the help of Karolína Světlá and headed by Eliška Krásnohorská. They offered work to widows of soldiers killed in wars which provided them with a job opportunity and means of support. There is a question whether the historical example was a background of present occupation and integration social businesses in our country both with regard to social integration (people socially in need) of widows and possibility of income which the Women's production society provided. Historically it is possible to continue rich history of Czech co-operative societies whose beginning can be dated already since the year 1847 (the first Czech co-operative society was the Prague food and saving society). Development of mutual self-help social policy deals with was interrupted in the 20th century when quite strong social state was established. After 1989, social and economic development was significantly influenced by liberalistic ideology based on the belief in self-regulating market mechanism and in individualism. That is why the concept of social economy based on mutual help was accepted by the society only indifferently.

Conclusion

The world has dramatically changed. It is confirmed that the paid work has been becoming the valuable assets. The labour market has instability in the long-term, competition for workplaces has been intensifying. The development both in the European labour market and in the Czech labour market has been showing gradual trends in the character of work from physically towards psychologically demanding. The share of employees in nonstandard workload, such as fixed-term jobs, short-term employment contracts, employing people by work agencies, work based on trade licence, contract of work and other untypical forms of employment has been rising. Lifelong occupation is on decline, work as a core of the life is losing its strength, but people are still dependent on incomes from gainful employment and so the necessity to search for alternative solutions of job creations not only in business but also in public sector has been arising. In the Czech labour market registered number of employees keeps falling even together with the growth in total employment. This demonstrates that employment is only growing in marginal parts of the labour market. (ČSÚ: Comment). A social entrepreneurship can become a suitable alternative. Although it is possible to recognise mentioned changes in the labour market and gradual destruction of social state, public authorities – academic and scientific communities warn about the low intensity in the acceptance of the conception of social economy in comparison with other European countries.

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