

The strategy for reducing unemployment. Employment in the European Union

Constantin ANGHELACHE

The Bucharest University of Economic Studies, Romania
actincon@yahoo.com

Mădălina Gabriela ANGHEL

“ARTIFEX” University of Bucharest, Romania
madalinagabriela_anghel@yahoo.com

Abstract. *The issue of employment is a problem in the European Union as in every Member State. Unemployment may rise or fall depending on the economic and social strategy of each country, but also on job qualification and supply. Within the European Union, there is a strategic program that provides for the full reduction of unemployment, massive investment to provide jobs for the absorption of some of the unemployment, and the preparation, diversification and upgrading of the quality of the workforce. The main objective of the European Union is to find a strategy that will lead to the absorption of unemployment in the member countries so that besides economic growth, better living conditions will be ensured for all employees. In this article, the authors have proposed to make a trip, to present the European Union's strategy with significant data showing the concern of the member countries so that the reduction of unemployment is ensured. The free movement of persons in the European Union is a factor that ensures welfare increases due to wage uniformization. The analysis is also related to unemployment among male and female sexes, showing that it is higher among women. An analysis of the generations of the occupied or unoccupied population in the European Union is another element that is interesting and important and is carefully dealt with by the authors in this article. It is highlighted for each country the unemployment situation, and there is also a preoccupation to make a comparative study that will ultimately ensure the closure of the unemployed population. Free movement of people acts in a twofold sense, namely, countries with less economic potential and investment opportunities to create lesser jobs and countries that have a strong economy, an economy that can offer a significant number of jobs. In the first category of countries we meet with Romania has the advantage of feeling less the effects of the unoccupied population in the sense that they are looking for jobs in other countries. One non-retortatory question would be what would happen to Romania if the population, people working in Spain, Italy and other countries would still remain in Romania. In the other countries, based on the qualification of the unemployed labor force and the jobs offered, a paradox follows: some countries, Spain, Portugal, the UK, even Germany, although they have more than moderate unemployment, accept labor from Eastern European countries. The authors conclude on the prospect of implementing a uniform strategy to ensure that all EU Member States can absorb labor.*

Keywords: employment, unemployment, absorption, employed population, unoccupied population.

JEL Classification: E23, J63, J65.

Introduction

The level of unemployment and its rate is a topical issue both in the European Union and in each of its Member States.

Unemployment is a negative factor that accompanies economic development throughout its course. Unemployment is general and no national economy, no state can come out of the impact of this phenomenon. The possibility of employment depends on the complexity of the economy, on the investments made, on generating jobs and, thus, on employment, but also on the specialization that should be in line with the structure of a national economy.

On the other hand, the demographic evolution of a country is a possibility to determine, in one way or another, the change in the unemployment rate. The unemployment rate is seen as a share of the active population. In this respect, the country's demographic change has fluctuated and, in many circumstances, has been able to contribute to raising or reducing the unemployment rate.

There are countries, especially in Europe, with a declining birth rate, in which contingent members of society are becoming increasingly small and then, if the economy is complex and offers jobs, unemployment is reduced. But there are also countries with very high birth rates, especially those in Asia, where high birth rates can create additional labor resources,

In this article we refer to the situation in the European Union and, by way of comparison, to the situation in Romania. From this point of view, we can consider that unemployment, its level and rate have a cyclical evolution, generally correlated with the general business cycle.

Literature review

Agrawala and Matsab (2013) have proven that companies are choosing conservative financial policies, largely to mitigate workers' exposure to the risk of unemployment. Amaral and Ice (2014) studied the impact of unemployment insurance duration on the unemployment rate. Anghelache (2017) elaborated a complex analysis of Romania's post-December economic and social situation, being a guide for research on macroeconomic indicators, population and labor developments. Anghel et al. (2017) conducted an analysis of the evolution of the unemployment rate in Romania, highlighted the number of unemployed, gender structure and age groups of the unemployment rate and studied the effects of unemployment on economic growth. Blanchard (2006) reviewed developments on unemployment and on theoretical fronts and considered that the average European unemployment rate hides a high degree of heterogeneity between countries. Costain and Reiter (2008) studied the correlation between business cycles and unemployment insurance, as well as the possibilities of calibrating appropriate models. Couch et al. (2013) studied the economic and health consequences of long-term unemployment. Daly et al. (2012) assessed the extent to which the natural rate of unemployment and the underlying causes of the change have changed. Dube et al. (2010)

investigated the effects of minimum wages on income and employment in low-wage economy sectors. Hagedorn et al. (2013) found that the prolongation of unemployment benefits raises salary balances and leads to a strong contraction in job creation, employment and rising unemployment. Krause and Uhlig (2012) considered that, by calibrating unemployment benefits to approximate legislation before and after the reforms, there was a considerable reduction in unemployment and its duration with the end of the transition after about three years. Kroft and Notowidigdo (2016) investigates how marginal welfare gains from rising unemployment benefit rates vary according to the economic cycle. Moreno-Galbis and Tritah (2016) elaborated a study on the impact of immigrants on the occupancy rate using an instrumental strategy based on historical settlement patterns in host countries and occupations by country of origin. Rogerson (2008) conducted a 45-year comparative analysis of hours worked in mainland Europe and the United States, concluding that they drop 45% in Europe versus the United States, due to the much lower market services sector. Silva and Toledo (2009) analyzed the consequences of changes in the cost of turnover on long-term labor market outcomes.

Research methodology, data, results and discussions

A factor in the evolution of unemployment is labor market policy and demographic change, as well as short-term or long-term influences on the development of a country's economy.

In 2014, in the total of the European Union of 28 countries (27, but data remain for the total of EU member states), unemployment was 10.2%, decreasing by 0.8%, reaching 9.4% in 2015. This decrease in unemployment was also recorded in 2016 when it decreased by another 0.7%, reaching 8.7%.

If we look into the complexity of the Member States and the evolution of unemployment, we will see that in 2014 and 2015 it has tended to decline, especially since we had periods between 2005 and 2008 when unemployment has fallen permanently, reaching 6.9% in 2008 which fluctuatingly followed an upward course in the coming periods.

In 22 of the 28 countries of the European Union, between 2014 and 2015, unemployment had a downward trend, with the most pronounced being 2.4% in Spain, 2.2% in Bulgaria, 1.9% in Ireland. Opposite to this trend, the highest increase in unemployment was registered in Finland, where it grew by 0.7% and Luxembourg with a 0.4% increase.

At 24.9% and 22% respectively, countries such as Greece and Spain, which had the highest unemployment rate among all EU Member States, were countries. This increase was recorded in 2015, and in the case of Greece it was explained by the prospect of the possible Greek bankruptcy of the Greek nation. In the case of Spain, an unemployment paradox in the sense that the highest unemployment rate among all EU countries assimilates, according to the European Free Trade Directive, most intra-European immigrants working. As an example, we can even mention Romania, of which more than 1.5 million people are working in a concrete way every time in Spain.

In other EU countries, we find low levels of unemployment. In this respect, in Malta the rate is 5.4%, in the United Kingdom 5.3%, in the Czech Republic 5.1% and in Germany 4.6%.

In 2014 and 2015, the unemployment rate for men and women was different, with women averaging 10.1%, while men were 9.5%.

An essential issue in the analysis of unemployment is the age categories of unemployed people entering the labor market. Thus, in the group of people aged 15-24, we usually encounter the highest unemployment rate, because access to the labor market is more difficult. Many of those in this age group are in the study period, which certainly excludes them from the category of those who are in the workplace.

An analysis term would be that people in this group recorded a double unemployment rate compared to those in the 25-74 age group. We have used the term “74 years” that the European Union has insinuated on a permanent basis, suggesting that for the work efficiency, work in this area, it is necessary to use, as far as possible, the older age group.

Another way of analyzing the unemployment rate would be to try to define ways in which the youth unemployment rate should be reduced. Of course, in 2014-2015 the unemployment rate was somewhat lower in young people but still registered a very high level in this category.

A high youth unemployment rate reflects the difficulties young people have in finding a job, but also because of incompatibilities between the training of young people and the jobs offered.

However, it is necessary for this group to be given greater importance in terms of greater assimilation into the workplace and ensuring, through lifelong learning, a faster improvement through the transfer to the workforce. We are always talking about generational exchange but in the labor market this generational exchange should not exist because the process is continuous and uninterrupted and it is based on the possibility of professional reconversion where there are professions and especially the possibility of creating alternative jobs to satisfy, as far as possible, the desires of the generation that we analyze.

There is a reason or cause for which the youth unemployment rate is very high. At present, some of the young unemployed are among the population of this age. We can say that it is slightly erroneous to consider the whole population without taking into account the situation of those who are in the process of training and those who, for other reasons, do not yet opt for a job until the age of 18. From this point of view, the analysis of the European Union, although pertinent, does not appear sufficiently clear from this point of view.

We can refer to the fact that a recent EU directive states that additional attention needs to be paid to the use of highly qualified or qualified people aged over 65. This aspect is also paid attention to the fact that, according to some rules, the retirement age would be the age of professional apology, but from the point of view of the labor market reality it results that in some areas, surely depending on the health and biological condition of the

individuals, -in a period of about 10 years, i.e. up to the age of 75, the workforce in this category must be used as it has increased efficiency and can provide two aspects in two ways. On one hand, the attraction and development of other younger generations to improve, and on the other hand through productivity, work efficiency (I refer to intellectuals) can produce more, more consistent and more useful for the whole society.

Looking long-term, the unemployment rate is likely to stir up polemics. Apart from the financial and social side, the effects of long-term unemployment should not always be seen in a negative way when we look at age groups. Others argue, on the contrary, that it should be treated negatively as the younger generation, the new generation, as it is customary to say, would find it harder to work.

As a response to the two trends of analysis, we can conclude by the fact that there is a solution field through the complex development of a country's economy. This implies that those who invest to invest in areas with skilled labor force and those who prepare the workforce prepare it for jobs where jobs are available.

The data we present relates to the evolution of unemployment in the 28 European countries, over a 10-year period selected over significant years. This presentation takes into account the evolution of total unemployment, between men and women, resulting in the fact that from 2005 to 2015 unemployment in men has been sustained. Thus, in 2005 it was 8%, in 2008 it was 6.6%, then it increased to 10.4% in 2012 and 10.8% in 2013, after which it started again to decrease, respectively from 10.1% 2014 in 2015 to 9.3% with the same trend in 2016. In 2005, unemployment in 2005 was 9.5%, declining in 2008 by 7.5% and then increasing two consecutive years in 2012 and 2013 to 10.5% and 10.9% respectively, with an improvement trend in 2014 – 10.3%, 2015 – 9.5% and a similar period in 2016 and 2017.

The unemployment rate in the age group up to 25 years apparently followed the same course but with very high rates. Thus, in 2005 it was 19%, with a decrease in 2008 to 15.9%, but with a steep jump to 23.3% and 23.7% in 2012 and 2013 respectively. And in this age group we meet downward trend in 2014 (23.2%), 2015 (20.4%) and 2016 below 20%.

The unemployment rate recorded for this age range for the 25-74 year old population was moderate: 7.7% in 2005, 5.9% in 2008, 9.1% in 2012, 9.5% in 2013, 9% in 2014 and 8.3% in 2015 and 7.9% respectively in 2016.

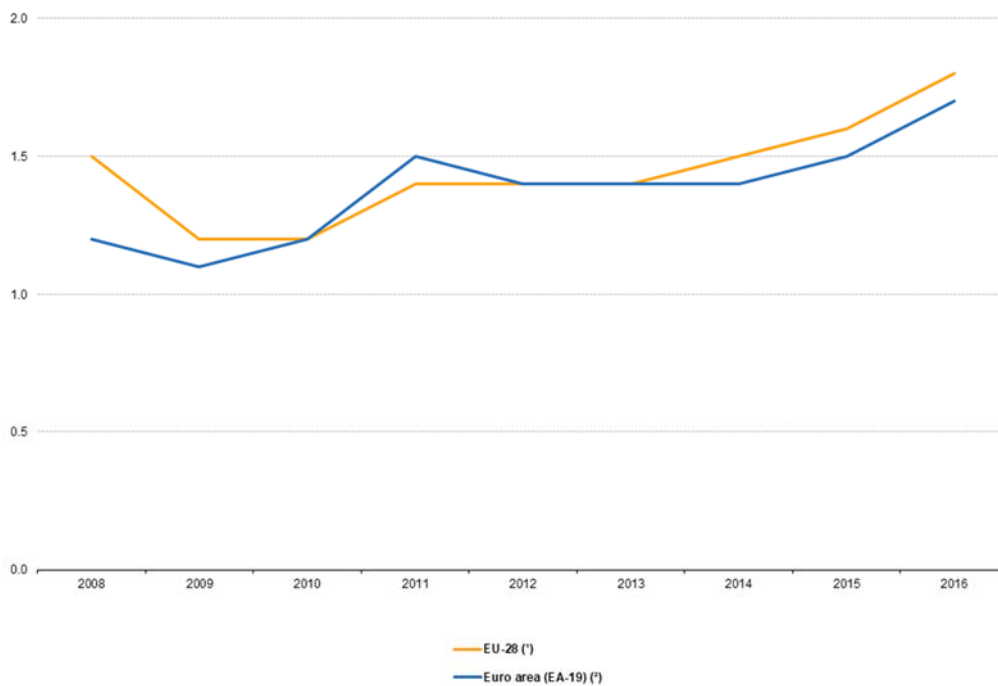
In the long run, there is a reduction in the unemployment rate and, in the long run, an even more pronounced reduction. In the two situations I mentioned, it is very clear that the unemployment rate can be improved by both job creation and the relative growth trend of the population.

An important element in the analysis of unemployment is vacancies or vacancies. There is a clear policy in the European Union that vacancies are of utmost importance for the unemployed. Of course, places are vacant by going to unemployment, retirement or economic restructuring. In the European Union countries it is evident that, as a rule, in relation to the level of unemployment, there are always a number of vacancies in the

period 2003-2007 to 2.2% of the total employment. The rate of these jobs declined further as a result of leaving the labor market or limiting investment opportunities and, consequently, the provision of new jobs.

Job vacancy is a continuous process and reached 1.6% in 2014 after having recorded the highest vacancies in 2008.

Figure 1. Job vacancy rate, 2008-2016 (%)



Note: NACE Rev. 2 Sections B to S.

(*) 2008 and 2009: EU-27.

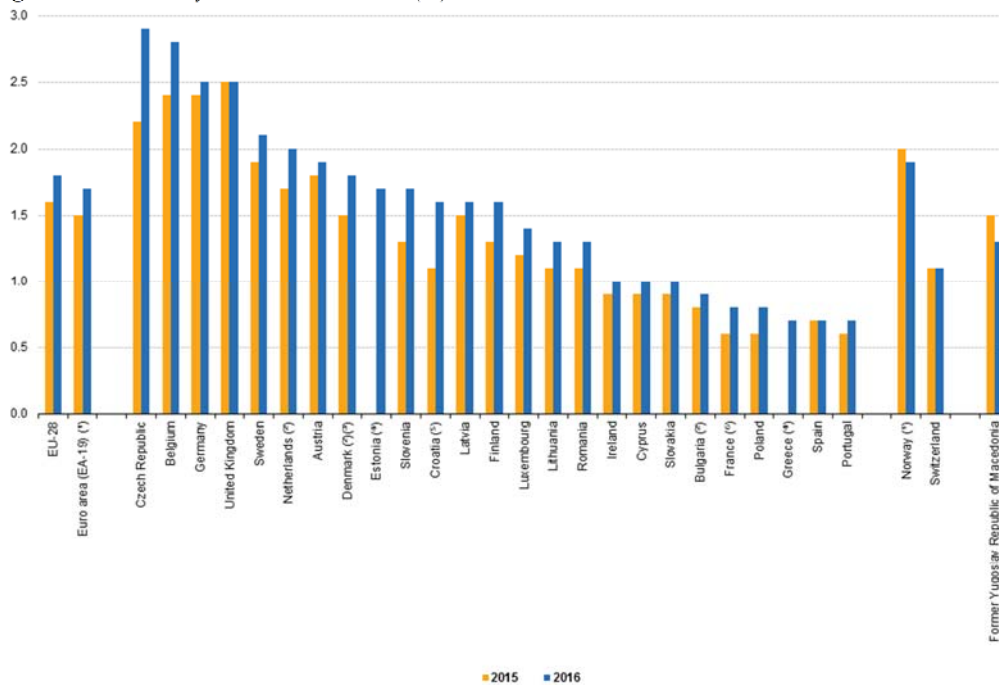
(*) Estimates.

Source: Eurostat (online data code: jvs_a_rate_r2)

Source: Eurostat.

Within the European Union, some Member States had a higher rate of vacancy in 2014, with high rates ranging from Germany – 2.9%, Malta – 2.5%, the UK – 2.3% and Belgium – 2, 2%. In other countries, vacancies were very low, ranging from 1% to 1.2%, these levels being recorded in most countries (15 states among the EU Member States).

In the following graph, Figure 2, the vacancies on the states are presented.

Figure 2. Job vacancy rate, 2015 and 2016 (%)

Note: NACE Rev. 2 Sections B to S. Italy, Hungary and Malta: not available.
 (*) Estimates.
 (*) Provisional.
 (*) NACE Rev. 2 Sections B to N.
 (*) 2015: not available.
 (*) Break in series.
 (*) Units with 10 or more employees.

Source: Eurostat.

As far as Romania is concerned, vacancies are around 0.6%, being very small compared to the number of employees working in the national economy. But this indicator of vacancies as well as the unemployment rate would be seriously affected if the European Union Directive on the free movement of persons was not implemented. We say this because at present, almost 3 million Romanians are active in other places in Europe.

Regarding Romania, the unemployment problem is very much dependent on the investments that will be made in the national economy to create jobs, as well as on the level of Romanian emigration in the European Union.

Conclusions

From the study made by the authors some conclusions are drawn. Firstly, there is a need for a medium and long-term, not only a short, EU employment strategy to limit, if possible, unemployment. Secondly, it should be taken into account that the efforts of the European Union are complemented by the individual efforts of the member countries in the same sense. An overwhelming conclusion is that major EU countries are required to invest in joint economic and social objectives so as to create jobs that are able to absorb

labor and reduce the unemployment rate. Last but not least, we can conclude that an essential element in the more efficient use of unemployed or unoccupied people is the improvement of qualitative qualifications as well as a policy on professional reconversion.

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