

IN THE AFTERMATH OF THE FINANCIAL CRISIS: UNEMPLOYMENT A THOUGHT PAPER

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Abstract

A labour system based solely on short term financial benefits might not be sustainable in front of a financial crisis and not good enough in prosperous times. For an innovative knowledge-based economy, like the one aimed at by the Lisbon Strategy and the Europe 2020, we need a suitable working environment, one which can make people enthusiastic about their work.

Key Words: *unemployment, labour, crisis, motivation*

JEL Classification: J53 - Labour – Management Relations

1. INTRODUCTION

In this short thought paper, I kindly invite you to have a non-exhaustive look at the professional situation of the young generations. We will first try to see what the ideal professional conditions look like for the coming and present generations, afterwards we will have a look at the existing working environment. In case the differences between the two situations are significant, we will finally try to figure out what we can do to reach equilibrium.

In doing this, the author of this paper will consider that both the labour offer and demand can be adjusted if necessary in order to match each other. We will keep in mind during our analysis that the stakeholders affected by situation of the labour market include our entire society. Last, but not least, we will have a broad view over the labour forces, with special emphasise over the qualitative aspects and human values.

The dimension and the nature of this writing as a thought paper, make it subjective and suitable for identifying the needs for further research. The reader should therefore be warned that the thoughts presented in this paper are not imposing conclusions of previous research studies, but would rather like to be a starting point for further analysis and research on this theme.

2. CONTENT

One of the most important values of our democratic societies is the concept of freedom or autonomy. Someone with a theoretically free or autonomous will is constantly going to search for opportunities to act according to its own understanding of individual welfare, having in mind the ideal envisaged by himself. This is why rules and methods of obliging people to act in a different way than they considered fit themselves, are met with deterrence and doomed, in most of the cases, to give nothing else but mediocre results. They are expensive in good times and unsustainable in bad times. In times of crises, these disincentives counteract the system which acted like a constraint, making it unsustainable.

If employees regard their work like an imposed sacrifice needed to satisfy the basic requirements of life, they would act according to the rule “minimum sacrifice needed in order

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to obtain maximum results". This means that they would not work if they are not obliged. Countries with good unemployment benefits can witness a part of the population falling into self assumed unemployment, like in Italy and other European welfare models (see Gøsta Esping-Andersen, 1995, pp. 5, 22). Downshifting, which seems to be increasingly popular, can confront the economy with a lack of skilled labour resources, as people are choosing personal fulfilment and relationship building instead of economic success. As an example, a study conducted by British Market Research Bureau shows that 25% of British adults aged 30-59 have *voluntarily* chose lower paid tasks between 1993 and 2003. One third of them did this in order to spend more time with the family, others wanted to reach more fulfilment or to have a healthier lifestyle (see Hamilton, 2003). In parts of the world with insufficient social security and hard economic conditions, unmotivated employees tend to be in an everlasting search for subterfuges and shirk from providing the expected work effort, relaying upon the difficulties of the employer in evaluating the actual work done. It all resumes to a conflict of interest between the employer and the employee, which needs to be solved.

However, motivation is easier said than done. In trying to deal with the lack of motivation, the first topic to be discussed is how the young generation wants to work. The answer I am seeking for has to follow the Kantian categorical imperative: "Act only according to that maxim whereby you can at the same time will that it should become a universal law without contradiction." (Kant, edition from 1993, p 30). In other words, a model is valid only if it can be successfully applied to everybody, if it respects the generalization test: "What if everybody did that?". I underline this principle, that I am sure the readers are well accustomed with, in order to avoid taking into consideration solutions that are too personal or biased.

The professional ideal is not constant over time. For example, not long time ago, people looked up to the ideal of the noble landlord, enjoying freedom and independence, occupied a few hours a day with the administration of the family's fortune, mainly by delegating the tasks to highly disliked administrators. The freedom enjoyed by the few privileged and the lack of economic worries allowed the arts to flourish and made their life pulsating with sensitivity. But this model did not last long; the social inequalities it was built upon brought the disappearance of the life style and values of this system.

The bourgeois and the following generations praised hard working ambitious people with jobs, since an early age. Our grandparents' generation used to regard the status of employee as a highly desired and respected one. But our parents' generation saw the disadvantages brought by long working days, stressful jobs, disintegrating families and lack of personal development. Not this model seems to be challenged by the newer generations.

As mentioned in a recently published article in *The Economist*, nearly half of the world's young population is contributing less productively or not at all to the global economy (*The Economist*, April 27, 2013, p 49). This figures, based on World Bank statistics, refer to youths who are neither studying nor working at their potential and describe a situation which the world's economy might not be able to afford.

On the other hand, companies suffer from not having enough motivated and engaged employees. The policy makers are trying to find methods to deal with the heavy burden of unemployment. However, the workers' motivation to comply with any new regulations is very seldom assessed.

Just one example, Mr. Christian von Albrichsfeld², general director of Continental

² Christian von Albrichsfeld is the general director of Continental Automotive, one of the largest producers of auto components in Romania (aprox. 270 MEUR turnover at 2011 level in Romania, global level: 32,7 MLD EUR turnover for 2012 and around 170,000 employees)and also one of the largest investors in Romania (575 MEUR invested on the local market during last 12 years). The statement was made in the frame of the conference dedicated to re-launching of the auto-industry in Romania (04 June 2013, Radisson Hotel Bucharest), organized by Ziarul Financiar.

Automotive, was on the opinion that the Romanian labor market has been confronted in the last few years with a rather unusual situation. Workers at various levels can no longer be retained by adding between 10-30% salary increase. They prefer to go abroad and in most cases take their family with them. In Mr. von Albrichsfeld's opinion the main cause for this decision is the fact that people no longer believe in the 'Romania's good future'. Disappointed by chaotic social systems, by lack of transparency at all levels of administration, by unpredictable economic and social environment, they feel cheated and believe that by going away can ensure a better future for themselves and their children.

Developed countries have it difficult to compete solely on prices with low-wage regions of the world, because of the higher costs encountered; they have to concentrate on good quality, high technology and innovation for maintaining their competitiveness. It is therefore needed a labour system better adjusted to the objective of obtaining durable quality and encouraging the creativity. Considering the lack of engagement demonstrated by the young generations, one could conclude that there is a mismatch between the needs of the labour market for motivated and skilled people and the methods used to attract them. Dealing with it by direct control methods is expensive and more and more difficult to implement as time passes by and people adapt. Punishment, in the form of exclusion from the market, brings even higher costs to the society, in the form of higher unemployment. This exclusion can also act like an adverse selection, if the employees discouraged on labour market are the ones seeking personal development. Outstanding financial compensation seems to be enough just up to a point, but hard to sustain in times of economic crises (cf. Keynesian economics) and very difficult to implement for the majority of the working places (cf. marginal productivity theory of wages). Without making an exhaustive analysis, we can easily doubt that imposed mechanisms are able to cope with low motivation and are not threatened to become unsustainable on long run.

The direct relation between financial benefits and life standard is not questionable. However, we believe that the present system disregards to a great extent the aspects of the side benefits. In our opinion, the importance these benefits have in the last decade would motivate a more attentive look and further analysis. Our suspicion is that they have become so important that no longer qualify as "side" benefits, but as necessary incentives for a mutually prosperous system. As the Austrian school economics explain (see Ludwig von Mises, 1966), we should not disregard other factors influencing the welfare of the people working. For the same financial retribution, companies using immaterial incentives can maybe obtain better results in terms of quality and sustainability, leading to lower unemployment, boosted innovation and welfare. For illustration purposes only, such non financial incentives can be: flexible working place inside the company, independence in solving the tasks, replacing hierarchy by flat organisations, the possibility to opt for home office, rotation of employees between the departments, flexible working hours, participation in the strategic decisions, training opportunities in the same specialisation or in a related ones, etc.

3. CONCLUSIONS

Every type of crisis, be it an economical, a financial or a personal one, is *de facto* a signal that something is not going in the desirable direction, it is a shout for changes. Those individuals that turn out to have had the correct intuition and the courage to apply a new model are in my opinion the gate openers, the true leaders of the future general trend. Every generation has its ways and ideals. What does this young generation need in order to give its best? The labour market crisis becomes deeper; the activity rate of the young ones proves it. Time is running fast and new models have to be tested and implemented on a broad basis. The changes to be brought to the existing labour system are a tough job lying ahead of nowadays'

