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## ФУНКЦІОНУВАННЯ РИНКУ ПРАЦІ В ІНТЕГРАЦІЇ ЄВРОПИ

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Показано особливості європейського ринку праці порівняно з американським ринком праці. У середньому безробіття в ЄС удвічі вище, ніж в США. Це пов'язано переважно з нижчою гнучкістю європейського ринку праці. Ми проаналізували основні види діяльності, що інтегрують Європу на шляху до підвищення ефективності функціонування ринку праці. Ми зосередили свою увагу також на факторах, які затримують систематизацію цього важливого європейського ринку, і на необхідності вироблення спільної політики в питаннях колективних переговорів щодо заробітної плати, загальної системи соціального страхування та загальної соціальної та міграційної політики.

**Ключові слова:** європейський ринок праці, заробітна плата, Європейський сервіс зайнятості (EURES).

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## FUNCTIONING OF THE LABOUR MARKET IN THE INTEGRATING EUROPE

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**This article displays the characteristics of the European labour market in comparison with the American labour market. On average the unemployment in the EU is two times higher than in the USA. It is the result mainly of lower flexibility of the European labour market. We have analysed the fundamental activities of the integrating Europe aiming improvement of the efficacy of functioning of the labour market. We focused also on the factors which delay the process of systemising of this important European market and on the necessity of working out the common policy in the matter of collective negotiating of the salaries, common system of the social insurance and common social and migration policy.**

**Key words:** European labour market, salary, regulations of labour market, EURES.

**Statement of the problem.** The unemployment in EU is on average two times higher than in the USA where the unemployment is stabilised on the very low level of the 5,2 % which has not been notified since the 1960s. In the EU many of the restrictions of the movement of persons among the member states were abolished but the clear rules of the European labour market were not yet established. The rules of the common policy in the matter of the collective negotiating of the salaries, the common system of the social security nor the common social and migration policy have not been worked out so far. The Maastricht Treaty deals with these matters in a very limited way. The "White Book" describes only numerous possible reasons of unemployment in Europe. It does not indicate any of the effective and possible to execute – in the EU or among the member states' scale – instruments for reduction of unemployment [1].

According to the wide research on the subject, the labour market in Europe is less flexible and less mobile than the one in the USA. The progressing European integration should cause the inter-union

mobility of persons itself, also on the labour market. The problem is, that the member states restrain the movement of persons by establishing regulations aiming the protection of their own workers as is was a case with the 2004 accession. There are also the cultural and language barriers which retard the development of the labour market in Europe.

**Analysis of recent research and publications.** The analysis of the migration in Europe displays that the mobility in the states of the UE amounts to only 1/5 of the mobility of four big regions of the United States (fig. 1).

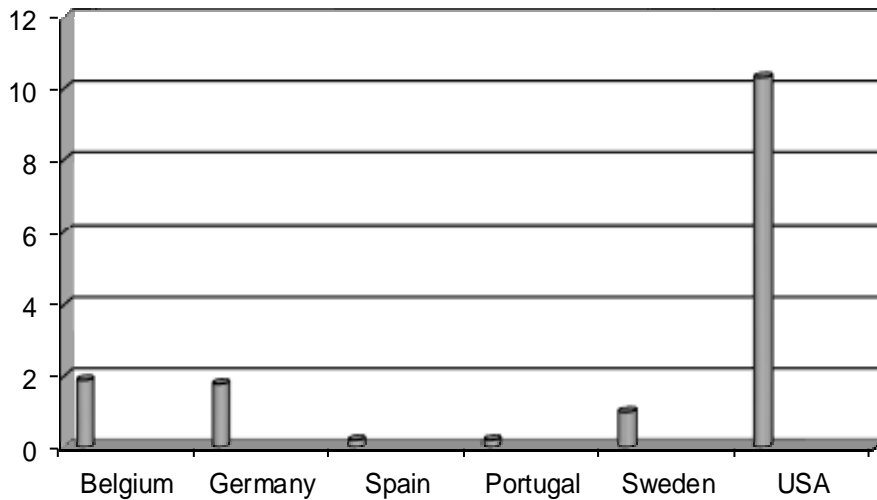


Fig. 1. Amount of the migrating people per 1000 habitants

The geographical mobility is only one of aspects of the general mobility. The mobility between sectors is also of great importance. The faster and easier movement from one sector to another of the production factors, the easier adaptation of the economy to the demand for goods and services. With this level of employment it is necessary for the man-power to be able to move from sectors of less demand to the sectors of growing demand.

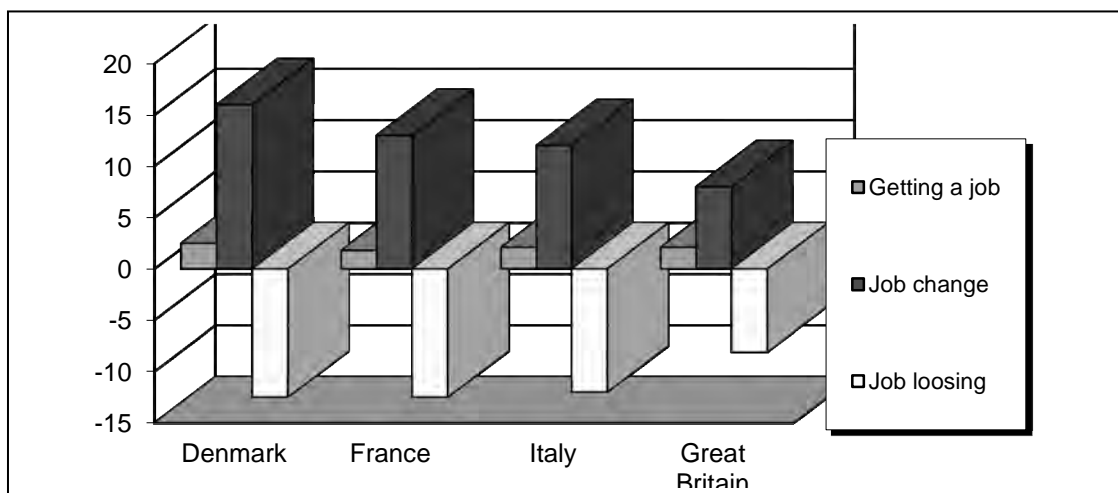


Fig. 2. Getting and loosing a job

The fig. 2 shows that the amount of those loosing a job and those getting it in particular countries is different. European countries like Denmark, France and Sweden show the high level of this appearance – the sum of those getting and loosing a job goes up to 30 % of total employment, however in Germany and in the Great Britain this level is quite low. Generally, the mobility in the EU is higher than in the USA.

As it is shown in the fig. 3, the percentage of long-term unemployed among the total amount of those out of work is much higher in the EU than in the USA. The European Union level market is less flexible than the American one. There can be shown some regions in Europe-for all measures of flexibility- that are not lagging behind the USA, but generally in Europe this market works worse than the American one. One of the elements of the employment policy is the level of social benefits for unemployed. The empirical data shows that in comparison to the USA the level of social benefits for the unemployed is in the EU comparatively high. The profit from these benefits could be also quite long lasting. The disadvantage of the high level of the benefits is the fact that it reduces the emphasis on the reduction of the real salaries, which consequence is the growing unemployment.



*Fig. 3. Long-term unemployed*

The possibility to profit from the social benefits for a long time could also influence on the diminution of the intensiveness of job searching by the unemployed and could increase, in this way, the number of long term unemployed people.

Another explanation of the lower level of the European labour market flexibility could be the way in which the hired hand workers are organized. According to the data in the EU, the hired hand workers more often belong to the trade unions than the workers in the USA. Trade unions give their members the possibility to influence on the salary increase, although there is a risk of losing the employment. Among the comparatively high number of factors which influence on the employment growth, three main groups of factors could be distinguished on the labour market [2]:

- aiming to influence on the growth of demand for the man-power;
- reducing the man-power supply;
- regarding international transfer of man-power.

**Goals of the article** is to displays the characteristics of the European labour market in comparison with the American labour market and determine the factors which delay the process of systemising of this important European market.

**The main material of research.** We acknowledge that the policy of employment in the EU countries in higher degree refers to the diminution of man-power supply. These activities notably are being contended by the social policy arguments (as for example high level of social benefits for the unemployed). Thanks to that fact the high level of unemployment is easier to tolerate for the individuals as well as for the society. The unemployed man-power is however a passive production factor and it should be assumed that it brings on the reduction of production and growth.

The limited budget sources and higher than in other EU countries level of the unemployment in Poland shows that the priority role on the labour market should be held by the demand policy. Because of these reasons the employment policy in the country should first of all influence on the growth of demand policy.

The policy of increasing the demand for the man-power is connected to the Keynes and non Keynes stream. According to this idea, the activating of the demand for work is a result of the activation of the aggregated demand. This idea indicates that the governments of member states have limited the unemployment by increasing the budget expenses in a proper time. Increase of the budget expenses activates the total demand: when people get from budget additional money, they save a part of it, and they spend the other part etc. The additional money from budget will bring on the increment of the private demand, and the total growth of the expenses (budgetary and private) will, with some assumes, generate the growth of the production and the employment. Inversely, the expenses limitation reduces the global demand directly and indirectly.

According to this policy, the great influence on the growth of the employment has for example the purchase of brand new cars and building of new flats. The sale of one single brand new "average" car gives the employment of 5 persons on the territory of the country in the month's period. To employ one worker in the one year's period, the firm has to sell 2,4 "average" cars. Expenses for the car service are: year tax, insurances, petrol and oil, parking, garage, technical controls and reparation, cleaning, routes fees and accessories purchase. Each of this expenses constitutes a demand for goods and service, through which an additional employment in others sectors is being created. In this sense the policy of stimulation the purchase of new cars promotes the employment in the global scale. The building of flats plays even more important role in the matter of increasing the employment. Together with the "multiplier" expenses which constitute an additional demand for furnishing of new flats, which are 11% of the flat cost, the employment will get in total 10 persons in the year's period per one flat.

There is also an other opinion, saying that in the recent circumstances, when most of the countries including Poland have problems with the budget deficit, the fiscal expansion does not activate of the growth of global demand for goods and services and at the same time the growth of the employment on the production factors markets, even on the short run. Contrariwise, the radical limitation of budget expenses stimulates the production on the short as well as on the long run when the delicate fiscal adaptations do not have any results. In the first case non-Keynes mechanisms of stable activation of private demand and production are being turned on. They could be described as follows:

- reduction of uncertainty on the financial markets reduces the interest and increase the accessibility of exterior loans;
- highly reduced deficit leaves more money for the enterprises and consumers;
- reduced financial risk of a country keeps or increase of the flow of foreign direct investments;
- national investors stop worrying that in future they would have to pay higher taxes, which improves the evaluation of profitability and as a result unblocks investments;
- consumers may more often apt to purchase durable goods.

Common characteristic of unemployment in the EU countries and in Poland is the fact that the unemployment in these countries is the structural unemployment in comparison to the frictional unemployment in the USA. Long lasting high level of unemployment signifies that there are the irregularities in the functioning of labour market, which prevent adaptation of the salaries level to the situation in the market in question. The growth of job vacancies does not signify simultaneously the decrease of unemployment. There is, in this case, professional maladjustment of qualifications of most of unemployed to the needs of enterprises, ready to employ them. In this way appears the structural unemployment.

The structural unemployment regards in the highest degree the economies in transition when there are changes in particular sectors, some of the enterprises develop, and others shrink. The structural unemployment then appears and at the same time new job vacancies are created. The structural unemployment is a long lasting unemployment. In the year 2000 the share of a long lasting unemployment was 44,6 %.

Appearance of structural unemployment is being softened by the state subsidies for the education or change of professional qualifications. In most EU countries, employers have the legal obligation to allocate 1–2 % of their profit for professional education of their employees. Almost all EU universities carry on, apart from the main program for young people, also the professional courses for adults, in particular for unemployed. The costs of these courses are covered by the above indicated source and from the subsidies of the municipal or regional governments. Unemployed, who attend these courses, obtain money grants, paid by the state budget through national job searching agencies. Graduates of these courses enter into labour market with the greater possibility of finding new employment then before. But the transformation of this possibility into the real employment depends on the demand of job vacancies which, apart from the national sector, are function of increment of demand for goods and services in the private sector. The budgetary sources for education and professional retraining, which are necessary in the time of fast transformations, could only soften the unemployment [3].

However, education and professional retraining do not have important results and can at most soften the unemployment. It is because the fact that the system of retraining or qualification change is usually of an individual character and the most of unemployed is not even properly prepared for it.

Moreover, the destructive influence on the Polish labour market have: additional costs of work, which in high degree limit the possibility to create new job vacancies. Actually in Poland when employing a persons, the employer has to pay 74,3 % of the employee net salary which is the insurance premium to ZUS (Office of Social Security) and the income tax. Additionally, the progression of the tax payer makes the employer costs much higher when employing higher qualified persons who are, of course, better paid. Employing a person whose wages are placed in the second level of a tax scale, an employer pays additionally in total 111,2 % of net salary in the form of taxes and insurance premiums. In the third level of tax scale this amount is 146,6 % of a net salary. In comparison, in the OECD countries the costs of work (income taxes, social taxes of an employer and an employee and indirect salary taxes from the salary income) amount to 36 % in the USA and on average 54 % in Europe. 40 disadvantageous changes in the Polish labour code were introduced in last 10 years. They also increased the costs of work. The most important changes are:

- double costs for the employer, which are actually the same costs (apart from the obligation to pay by the employer the health insurance premium, he also pays the illness premium during 35 days of work inability and high rates for over time hours);
- regulations that increase the costs of laying off employees in the conditions of reducing demand for products or services provided by the firm in question have a risk even of the insolvency;
- regulations regarding establishing and functioning of firms are disadvantageous - the cost of new establishment registration is 25 % of GDP per capita, when in Ireland it is 11 %;
- the regulation of the national minimum salary decrease the employment, when it is higher then the salary balance on the labour market. The increase of work demand is then possible through reducing of minimum salary.

It has been above mentioned that, apart from increasing man-power demand in the frame of employment policy, there are also some activities in Poland which limit the supply through the regulation of employee's professional activation time.

When we take into consideration the international transfers of man-power, we notice that people when they could not have found the job in their own country, started to search for it abroad, it is not a new situation. They decided in this way for temporary or permanent emigration. This appearance is recently observed as far as the Polish unemployed persons who search for a job on the European market, are concerned.

Now focus on legal regulations of labour market in the EU countries. Member states have kept the powers to introduce the rules of functioning of national labour markets. These competences had been confirmed in the EC Treaty by the Title "Employment" (art. 125–130) [4, 5] which were introduced by the Amsterdam Treaty. The cooperation between member states and the EU in the matter of coordinated employment strategy is introduced in this act. Promotion of qualified, trained man-power with the ability to adapt has been also declared. EU promotes and completes the activities of the member states. The EU activity does not have the influence on the competences of the national governments [6].

The title "Employment" does not refer directly to the rights of migrating workers. It is however easy to understand that the effective introduction of the freedom of movement of persons in the EU needs the good cooperation among work offices of particular member states. It enables to interested persons for the access to the offers of employment from other member states. It also facilitates using the sources of work offices from other member states. Art 40 of EC Treaty describes competences of the Community organs for accepting the secondary legislation acts in the matter of freedom of movement of persons. This regulation remarks among others the necessity to ensuring the cooperation among national work offices and introducing the proper mechanisms for exchange of job offers and job requests. It will facilitate achievement of balance in the demand and supply on the labour market in the way which will not cause any risks regarding life standard and level of employment in particular regions and branches of industry.

The fundamentals of cooperation among the work offices in particular member states were introduced by the regulation No 1612/68 [7]. The preamble of this act indicates that for the efficient functioning of freedom of movement of persons the development of cooperation among the work offices, an exchange of job offers and job requests in the EU level, circulation of information on life and work conditions is needed. Legal frames of functioning and cooperation of work offices are introduced by the Part II and Part III of the regulation No 1612/68.

In this matter the novelisation introduced by the regulation No 2434/92/EWG is of great importance [8] The Part II of regulation No 1612/68 "Clearance of vacancies and applications for employment" introduces rules of cooperation between member states and the European Commission (Title II, art 15–18),

Describes the means for keeping the balance on the labour markets in the member states (Title III, art 19–20) and creates European Co-ordination Office (Title IV, art 21–23). Part III “Committees for ensuring close cooperation between the member states in matters concerning the freedom of movement of workers and their employment” introduces institutions to deal with the freedom of migration of manpower: the Advisory Committee (Title I, art 24-31) and the Technical Committee (Title II, art 32–37).

The network EURES was introduced by the Commission Decision dated 22.10.1993 No 93/569. This act does not exist any more. Since 01.03.2003 the functioning of EURES system has been regulated by the Commission Decision dated 23.12. 2002 No 2003/8/EEC [9]. The Decision consists of the wide preamble and 12 articles. The preamble indicates that from the establishing of the network until then the great improvement has been achieved. Taking into consideration the gained experiences, the system EURES should be strengthened and totally integrated with the activity of work offices of particular member states. This system is responsible for the information exchange and the cooperation described in the Part II of the regulation No 1612/68. The system EURES deals in particular with:

- development of the European labour markets as open and accessible for all;
- exchange of job offers and job requests on the international and inter-regional level;
- Clearness and exchange of information on the European labour markets, including regarding the life condition and possibilities of improving the qualifications;
- development of the methodology and the indicators used to fulfil the above indicated tasks [10].

**Conclusions and recommendations for further research.** The Regulation of labour market is realised by the direct directives which describe what the economic entities can and what they cannot do for their activity to be coherent with the public interest. Deregulation means the increase of freedom of economic entities and less of governmental intervention in the matter of collective work relations. The increase of the flexibility on the labour market through its deregulation goes back to the reform of labour legislation.

Proponents of the deregulation try to prove that the protection of the work relation reduces the efficiency of allocation, delays the equilibration of the labour market and through the high costs of work discourages from recruiting of new employees.

Other economists take the protection of work relation as a factor of efficiency growth on the labour market. The practice of many countries does not provide with the sufficient proves for the negative influence of the work protection on the employment.

The human resources management plays an important role on the labour market among increasing competitiveness, globalizations processes and development of new technologies.

There are many of ways to success of the employee and new job vacancies. Because of this fact there is not one single model country, which regulations and solutions could constitute the recipe for successes. The activities of particular countries bring on the employment growth are connected with their tradition and the history of industry relations which describe the systemic character of economic model in question. The reform taken on should aim to create the greater flexibility of labour market structures.

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