

## THE CONFLICTUAL LOGIC OF EMPLOYMENT AND THE CAUSALITY BETWEEN EMPLOYMENT AND ECONOMIC GROWTH. AN OVERVIEW

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### **Abstract**

*The issue of employment has been widely debated in the literature. From classics to contemporaries, each one of them has brought their input and identified the problems that the workforce faces. This article deals with the conflict within employment and the causality between it and economic growth, bringing a different perspective on this matter.*

**Keywords:** *economic growth, employment, entrepreneur, migration, productive labor, unproductive labor*

**JEL Classification:** *J01, J21, L26, O15, O40*

### **Introduction**

Apparently, nothing would seem simpler than the realization of a man's natural desire to earn a living by seeking and finding a job. The first lesson of Political Economy towards such a hypothesis leads: if resources are scarce and the existence depends on labor there is no other way. Even if the labor itself is not a pleasure, the pursuit of existential choice is reduced, univocally, to the solution mentioned. Until mankind invents a different path to wealth than labor, employment, if it can be called full, will remain an objective of each individual and an essential dimension of economic-social policy. The reconciliation of these subjective individual desires with the real objective chance of finding and occupying a job, like many other economic phenomena, is subject to a contradictory and often conflicting reality.

This article is a descriptive study of the literature in the field of economics, in the context in which today's societies are facing real difficulties in adapting the workforce to market requirements. Furthermore, the migration of the active population from developing countries, such as Eastern European countries, to developed countries, raises new issues. Thus, highlighting the most important theoretical aspects of the specialized literature becomes necessary and can constitute a starting point for the specialists in the field in approaching the labor force in states that are facing with migration.

The purpose of the article is to present in the clearest possible way the most important aspects of the labor market in an open economy. For this, the author selected

the reference works from the economic field to create a descriptive picture as suggestive as possible for the addressed problem.

### Sources of conflict

Each individual has different reasons for working, and at different stages of life some new ones may appear and others may disappear. These reasons arise both because of the personality or character of the individuals, whether it is an active person who wants a dynamic job or a static person who prefers an office job. It can also be the cause of other external factors; factors related to social, cultural, economic, which fits him or not in the employed population. He is influenced by family, friends, who wants him to be employed either in a profession similar to or near them. Other influence factors are prejudices and laws that determine the age at which an individual can enter the labor market, the maximum number of hours per who can work, minimum wage or retirement age.

Also, the individual is placed in an economy, with demand structured on criteria of economic rationality according to profession and predisposition to mobility. "If a workman moves from department Y to department X, he does not go because of a change in relative prices, but because he is ordered to do so" (Coase, 1993, p. 19). So, the individual must be prepared to go where the entrepreneur needs him.

We can say that there are several "conflicts" based on competition. The first would be between the employee and the employer. The division of labor thus divides them objectively into the two categories. The relationship between the two is established on a "contract [...] whereby the factor, for a certain remuneration (which may be fixed or fluctuating), agrees to obey the directions of an entrepreneur *within certain limits*" (Coase, 1993, p. 21). The entrepreneur cannot obtain the production alone, which is why he needs an employee. The former commits to respect the job description, and the latter mentioned that he would respect the hierarchical structure. Coase considers that Batt summarizes this by saying that "we can best approach the question of what constitutes a firm in practice by considering the legal relationship normally called that of "master and servant" or "employer and employee". The essentials of this relationship have been given as follows:

"(1) the servant must be under the duty of rendering personal services to the master or to others on behalf of the master, otherwise the contract is a contract for sale of goods or the like.

(2) The master must have the right to control the servant's work, either personally or by another servant or agent. It is this right of control or interference, of being entitled to tell the servant when to work (within the hours of service) and when not to work, and what work to do and how to do it (within the terms of such service) which is the dominant characteristic in this relation and marks off the servant from an independent contractor, or from one employed merely to give his employer the fruits of his labour. In the latter case, the contractor or performer is not under the employer's control in doing the work or effecting the service. He has to shape and manage his work so as to give the result he has contracted to effect" (Batt, "Law of the master and the servant", p.6 in Coase, "The Nature of the firm", 1993, p.29). Although Batt uses the terms "master" and "servant" when referring to the employer, respectively to the employee, he does not refer to the meaning itself. The employer is seen as a master because he decides what, how and when to

produce and assumes the uncertainty of the profit, while the servant / employee must respect the job description and only after his work is done, he is paid.

Employee competition is a reality of the labor market. Some companies even promote it, considering that this is how they motivate their employees, making them put more effort and therefore achieve high results. At the same time, employees compete with each other in both the public and private sectors. Whether they are doing it for a better position, for a higher remuneration or only for recognition, competition between them can be seen as a source of conflict.

If we can say that there is competition between the employee and the employers, between the employees, it is logical to say that there is a competition between employers too. There is a constantly changing labor market, in which demand and supply of labor are no longer met only at the national level, precisely because of the lack of labor force on the national market or, on the contrary, its existence. Still, the inadequacy or lack of specialization does not make it suitable for the domestic labor force demand. Therefore, employers are competing with each other to obtain the human resource according to their type of activity, not only locally, regionally, nationally, but even globally.

What kind of labor individuals provide, productive or non-productive, has been widely addressed by several classic economists. Among them we remind Smith, who, in his early work, considered that only labor that leaves behind a tangible final object can be called productive, while the one we call services is considered unproductive: "Thus the labour of a manufacturer adds, generally, to the value of the materials which he works upon, that of his own maintenance, and of his master's profit. The labour of a menial servant, on the contrary, adds to the value of nothing. Though the manufacturer has his wages advanced to him by his master, he, in reality, costs him no expense, the value of those wages being generally restored, together with a profit, in the improved value of the object upon which his labour is bestowed. But the maintenance of a menial servant never is restored. A man grows rich by employing a multitude of manufacturers: he grows poor by maintaining a multitude of menial servant" (Smith, 2007, p. 258). Although he specifies that the labor of the latter has value, it is not as great as that brought by workers, who, following his duties leave behind a lasting good even after the production process has been completed, as opposed to the occupation of the servant. However, today, given that most of the agriculture and industry has been roboticized, and services mainly bring the surplus of value, we can also speak of productive labor in the field of services, although sometimes it cannot be quantified. The wealth of a nation is given by the welfare of the citizens, wealth that can be obtained by buying and consuming certain services. Therefore, the provision of services can be seen as productive.

Unlike Smith, Say sees productive labor both in industry and agriculture and in the tertiary sector: "Labour... is productive, because it concurs in the creation of a product. Thus the labour of the philosopher, whether experimental or literary, is productive; the labour of the adventurer or master-manufacturer is productive, although he perform no actual manual work; the labour of every operative workman is productive, from the common day-labourer in agriculture, to the pilot that governs the motion of a ship" (Say, 2001, p. 36). He sees in unlawful actions unproductive labor: "When trouble is directed to the stripping another person of the goods in his possession by means of fraud or violence ...degenerates to absolute criminality; and there results no production, but only a forcible transfer of wealth from one individual to another." (Say, 2001, p. 36). Productive labor for him is creating goods, but also services. Anyone who contributes to

the well-being of a nation by producing goods and services does productive labor. Individuals who resort to other “methods” of procuring their goods, by devolving them from other individuals, contribute to the impoverishment of society, so they do unproductive labor.

What should prevail in a society that seeks to create wealth is production. To reach this first point, entrepreneurs, i.e. the private sector, are needed. It can only be developed on the free market, unrestrained or stifled by government intervention. To be able to produce, the entrepreneur needs another actor of economic life, the employee. Williamson said that “within markets the price system signals (decentralized) resource allocation needs and opportunities; but firms employ a different organizing principle- that of hierarchy- whereupon authority is used to effect resource reallocations (Williamson, 1993, p. 3). The contractual relationship between the employee and the employer is realized and is only fructified in a free economy, not with the intervention of the government.

Lawrence Reed, in his article “7 Fallacies of Economics”, gives us a relevant answer when he talks about “the fallacy of production for its own sake”; he says the following: "A bad economist who falls prey to this ancient fallacy is like the fabled pharaoh who thought pyramid-building was healthy in and of itself; or the politician who promotes leaf-raking where there are no leaves to be raked, just to keep people “busy” (Reed, 1981). Employment growth comes as a result of economic growth and not vice versa. A prosperous, rich country, with a high production of goods and services will surely have "busy" people. The politician who often promises during the electoral cycle the increase of the employment rate, the decrease of unemployment, does not have a real growth. It promises the creation of new jobs, often "where there are no leaves", and most fall prey to these statements. What the politician should offer to keep people "busy" is to provide the right framework for businesses to grow, develop and increase their output and thus provide jobs. Also, wage policy in the public domain should be a function of that of the private sector and not vice versa.

### **First employment and then economic growth?**

The purpose and reason of a company are to grow and develop economically. It is the premise, the starting point. Schumpeter was firmly convinced that “A first test of economic performance is the total output, the total of all the commodities and services produced in a unit of time - a year or a quarter of a year or a month” (Schumpeter, 2003, p. 63). Therefore, employment cannot be achieved without first realizing economic growth, but only in its context. The proposal to create jobs before having a growth is a reverse cause. Creating jobs without economic growth by increasing public spending can lead to false, unsustainable jobs, thus creating negative effects on the private sector, the motor and the main employer in a free economy.

The essential role for a nation to prosper is played by the entrepreneur, who is the creator of these goods and services, which supports economic growth. But he cannot do this alone; it needs production factors, the man occupying the first and most important place. Therefore, in order for him to create real jobs, with support in the world of goods and services, the state is required to help entrepreneur. Not through political subsidies or favours, but by ensuring an efficient institutional framework, which will allow him to develop as it employs its workforce.

## **Employment under the conditions of a global world and international migration**

Under the present conditions, the phenomenon of globalization is visible and pronounced. The demand and the supply of job is no longer confronted at the national level. We have a demand of labor with national training, educated to adapt to the supply from the national level, with the specific requirements of the economy within the border and a supply with foreign requirements, which goes beyond the territorial requirements. Thus, in order to be employed, the individual must adapt; the question is how to do this. His preparation is done in schools, so the education system must be modified and updated, to allow the individual to cope with an extraterritorial labor market.

International labor force mobility takes place in both quantitative and qualitative terms. On the one hand, the quantitative aspect implies the volume, the number of people who prefer to migrate in the hope of finding a better life, which grows from year to year, leaving some countries without the youth, with an aging population, which cannot support production in the long term of a society. On the other hand, the qualitative aspect involves the migration of the labor force according to qualification, skills, abilities. The tragedy arises when the skilled workforce emigrates from a country where it is not used, it is not needed, where the problem of employment cannot be solved at the national level to one where it is properly appreciated and remunerated. The vast majority emigrates from low-income countries and goes to developed nations. The latter obtain a cheap, young workforce, and the emerging countries with the emptiness of able-bodied individuals and chances for a rather small economic development.

Migration is accepted by the recipient countries in order to obtain the resources to prosper further and to remain at the top of the international hierarchy. This is possible only by attracting individuals from other countries, because their own citizens are not sufficient or the birth rate of those states is reduced.

### **Conclusions**

Classical literature shows with certainty that the phenomenon of employment is a much broader concept than what its definition tells us; that this phenomenon acquires new valences depending on the angle from which it is viewed. The vision of economic thinking, in approaching the employment process, varies from considering productive labor in the primary and secondary sector and non-productive in the tertiary sector, to considering any form of labor that brings welfare to individuals as productive.

The employment phenomenon has been widely addressed in the classical and contemporary economy. Still, it has captured new links in today's society, when major economic transformations are taking place related to the transition of the former communist states to the market economy. This transition has influenced the economies of the western states through the impact of the migration of workforce. Labor mobility has led to a decline in employment in Eastern European countries and an oversupply of labor supply in Western European countries.

From the perspective of the quality of services, the study of the employment phenomenon shows an increase of their level in the west through the migration of the skilled labor force and those with higher education, which causes economic, social and cultural losses for the Eastern states, as well as the increase of the existing gap between

developed and underdeveloped countries. It is necessary to adapt the education system in accordance with the changes of the national economies, that is to say with knowledge and jobs with high diversity and mobility. We also need to create an institutional framework conducive to the development of the private sector so that employment rises to a high level and thus the growth to register in companies where it is so needed.

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