

## THE EMPLOYMENT POLICY AND THE LABOR MARKET IN THE FACE TO THE NEW GLOBAL AND LOCAL CHALLENGES

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### ABSTRACT

The most urgent global changes and local challenges for the development of the labor market and employment policy (globalization and the new conditions of formation of equilibrium in national labor markets, the growth of unprotected employment, the effects of macroeconomic policies, as regional economies, etc.) are described in the article. The theoretical, methodological and practical aspects of employment policy from the standpoint of its effectiveness in the new environment are examined. The directions of increase of employment policy efficiency in light of new realities on the labor market are offered.

***Keywords:** labor market, employment, unemployment, employment policy, challenges, programs of active policy, human capital, financing programs, economic and social efficiency*

### INTRODUCTION

The global and local socio-economic transformations have a direct impact on the subject field of actual employment policy in connection with the changes, firstly, the labor market subjects and the patterns of their behavior; secondly, directly the technology for employment; thirdly, the emergence of new relationships, the patterns and trends of labor market development; fourthly, the new cross-functional interactions of the individual components of the employment policy and the patterns of job quality, and, fifthly, the strengthening of employment policy with macroeconomic policy and situations in general; sixthly, the changes in the approaches to evaluation of the employment policy effectiveness.

The employment policy in the broadest sense determines not only the current results of the functioning of labor markets at the national and regional levels but also a number of macroeconomic parameters, the life standard of the population, the rates of employment restructuring, etc. It is precisely the issue of the effectiveness of active policy on the labor market has been the subject of numerous discussions in recent decades in literature [1,2]. In the context of globalization and the slowdown of growth the growing risks of local labor markets exclusion (associated with growing informal employment, poor working conditions); generate unemployment; preservation of inefficient shifts and income inequality; creation of enclaves of migrant employment with low labor efficiency, etc.

An interdisciplinary approach is more relevant to the analysis of employment policy and allows to highlight new perspectives. Such interdisciplinary approach is reflected not only in research programs but it starts being widely used in modern programs of training, retraining in various areas (particularly in the tourism sector [3,4]).

### ESTABLISHING A CONTEXT

The effectiveness of the traditional measures of employment policy may be reduced by the individualization of labor relations, the growth of precarious employment and the precarization of risks, strengthening the importance of socio-cultural factors. The globalization of economic life provides for transfers to the economy of different countries, their intra-firm and inter-firm organizational structures for direct investors as well as the institutional arrangements. You should take into account the problem of convergence and divergence of practices in the field of human resources management in the context of globalization [5], which affects the parameters of intra-company and external labor markets, setting new benchmarks for employment policy.

New challenges for the labor market gives rise to the development of innovative activities, the introduction of labor-saving technologies, development of new activities, the expansion of professional space of the labor market, increasing the range of high-tech jobs, "green jobs", etc. In particular, we are talking about the emergence and development of new areas and types of tourism [7].

Last decades are characterized by a variety of crises in different countries around the world. A long and persistent global recession is getting a challenge. The researchers note as characteristic features of "long-period recession" – the cluster of diverse crises spanning this global slowdown [6]. This situation has a direct projection on the demand and supply on the labor markets of countries.

In recent years one of the most alarming statistical trends is the sharp and steady decline in the payroll share in industrialized countries and more chaotic and less dramatic in countries with developing economies. For example, total payroll as a percentage of GDP in the USA was 61% in 1975 and now is 57%. During the same period, the same ratio in Australia it decreased from 67% to 54%, in Canada - from 61% to 55%, in Japan - from 77% to 60%, in Turkey it decreased from 43% in 1995 to 34% at present [6].

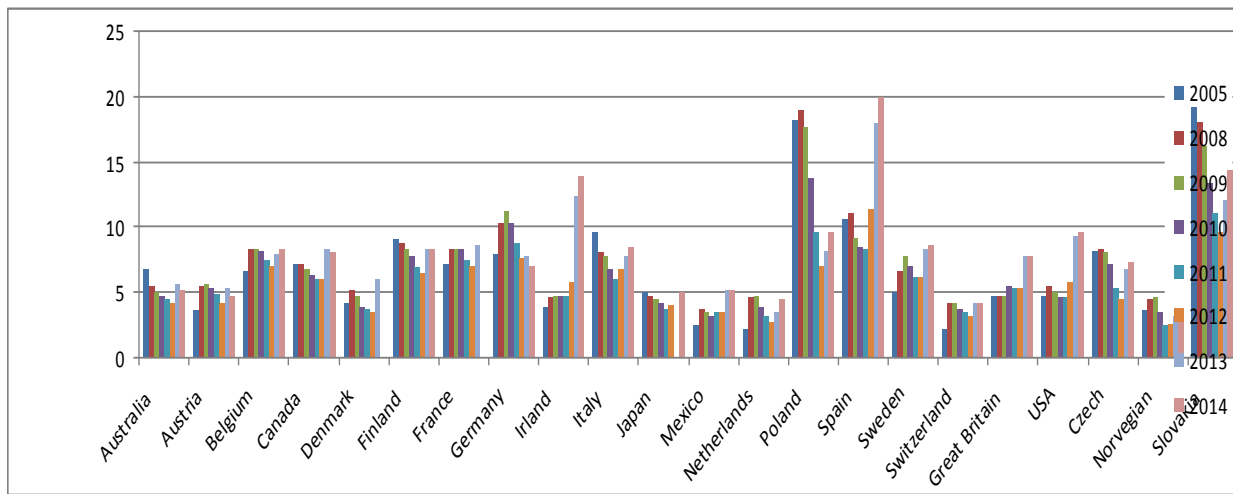
The data analysis presented in the ILO report "World Employment and Social Outlook – Trends 2016" shows that the world standard of precarious, unprotected employment in 2015 was 46.1%, and the forecast is to declined to 45.8% to 2019. The unemployment growth and reduced job security, the presence of significant parts of unprotected employment, the necessity of forming innovative models of the labor market makes new challenges for labor market institutions.

There can be noted the most significant and in varying degrees expressed in the spatial aspect among the local challenges for employment policy: the formation of new trajectories of economic growth (the emergence of new sectors of production, reindustrialization) and promote job creation; human capital development; demographic risks; reduction of incomes of the population; limiting the generation of new jobs, investment problems, with different localization in the regions; the need to address the employment problems of socially vulnerable groups; behavioral reactions of subjects of labor markets at local levels, etc. are Important factors of the local level, influencing the patterns of labor market development, are also socio-cultural factors [8,22].

At the present time the global and local challenges lead to a growth of the structural unemployment risks, occupational safety, compliance, quality of human capital, the structure and dynamics of labor demand in new sectors; the new ratio of the real and the virtual in the structure of the labor market, etc. The risk of inefficient labor market institutions (traditional, created and/or imported) are formed. The analysis of actual trends in the sphere of labor and employment reveals that the necessity for the formation of a new paradigm in Economics - sustainable labor with corresponding standards of research, regulation. A full study of the labor market in a recession and sluggish recovery suggests in addition to handling the usual measure of unemployment to assess the gaps in employment taking into account underemployment and hidden unemployment [9].

**THE STATE OF THE LABOR MARKET AND EMPLOYMENT POLICY.**

According to the study results of job quality in the OECD, decent wages, safety in the labor market and decent working environment may not limit but to accompany a high level of employment [10]. The foreign researchers focus on the specific results which determine the quality of employee life from the standpoint of quality of earnings; the labor market security; quality of the working environment in general. Security of the labor market can be characterized by the unemployment rate. In Fig.1 the data on unemployment rates in several countries in 2005-2014 are presented that allows us to explain the situation on national labor market, the speed of their recovery after the recent crisis. In October 2016 the unemployment rate in the Euro area was decreased to 9.8% (which is the lowest figure for the last 7 years). The significant risks are formed in youth labor market that affects the choice of effective instruments of employment policy for different target groups. According to the findings of other studies, for example, public works programs for young people is the transition to the permanent employment it can lead to "locking" or even the effect of stigma. The effectiveness of markets training programs for young people expressed in the long term from the point of view of investment in human capital [11].



**Fig.(1).** - The unemployment rate in some countries (constructed according to [10]).

The rate of vacant jobs is an important indicator of the labor market. The highest rate of job vacancy rate among EU countries was observed in the 3rd quarter of 2016 in the Czech Republic (3.1 percent), Belgium (2.9 percent) compared to the same period in the Eurozone (1.6%) and the EU as a whole (1.8 per cent). Analysis of this index by industry reveals that the highest rates in industry and construction in Belgium (3,5%), the Czech Republic (3.0 percent) and the lowest is in Spain (0.3 percent), Portugal (0.6 percent), Bulgaria (0.5 percent). In the field the servants of the most high vacancy rates were observed in the study period in Belgium (3,5%), Germany (3.2%), the UK (2,8%), Austria (2.6 percent). The minimum performance characteristics are for Bulgaria (0.6%) and Spain (0.4 per cent) [12].

The dynamics of expenditure in the labor market in a number of countries is presented in Table 1, based on the data of Fig.1. it evidences the ambiguous relationships between expenditure on employment policies and unemployment. So, the highest rates of expenditure on employment policy in 2013 are in Finland, Ireland, the Netherlands. While the unemployment rate in Finland was 8.3% in Ireland - 12.3% and in the Netherlands -3,4%.

**Table 1.-** The share of expenditure on the policies in the labor market (%of GDP) in several countries ( [12]).

Country	2005	2008	2009	2010	2012	2013	2014
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Australia	0.91	0.78	0.89	0.83	0.84	0.87	0.94
Austria	2.06	1.77	2.25	2.18	1.97	2.16	2.20
Belgium	2.94	2.63	3.05	2.97	2.80	2.76	2.65
Canada	0.92	0.93	1.29	1.12	0.83	0.80	0.79
Denmark	<b>3.81</b>	<b>2.47</b>	<b>3.23</b>	<b>3.70</b>	<b>3.51</b>	<b>3.49</b>	<b>3.33</b>
Finland	<b>2.69</b>	<b>2.07</b>	<b>2.66</b>	<b>2.71</b>	<b>2.39</b>	<b>2.63</b>	<b>2.89</b>
France	2.42	1.96	2.36	2.51	2.28	..	2.47
Germany	3.10	1.93	2.47	2.18	1.62	1.67	1.59
Ireland	<b>1.41</b>	<b>1.98</b>	<b>3.32</b>	<b>3.74</b>	<b>3.31</b>	<b>3.09</b>	
Italy	1.29	1.24	1.79	1.82	2.02	1.99	1.97
Japan	0.60	0.47	0.85	0.63	0.54	0.47	0.36
Mexico	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Netherlands	<b>2.95</b>	<b>2.00</b>	<b>2.48</b>	<b>2.56</b>	<b>2.51</b>	<b>2.82</b>	<b>3.03</b>
Poland	1.28	0.90	0.95	1.02	0.76		
Spain	2.18	2.62	3.75	3.96	3.60		
Sweden	2.32	1.37	1.78	1.87	1.91	2.03	1.95
Switzerland	1.51	0.94	1.41	1.34	1.10	1.19	1.19
Great Britain	0.58	0.53	0.72	0.68			
USA	0.36	1.02	1.23	0.89	0.52	0.35	0.29
Czech	0.45	0.40	0.68	0.67	0.48	0.55	0.59
Norwegian	<b>1.22</b>	<b>0.67</b>	<b>0.98</b>	<b>1.10</b>	<b>0.87</b>	<b>0.83</b>	<b>0.88</b>

The most significant factors are characterized for the Netherlands, France, Belgium, Italy. The expenditure on active measures of employment policy are dominated in Denmark, Sweden, the Czech Republic and Norway. In most countries the unemployment rate among the latter is lower than in other countries (see Fig.1). According to the data (see Fig.3), in most countries in the structure of expenditure on employment policy is dominated by expenditure on passive measures.

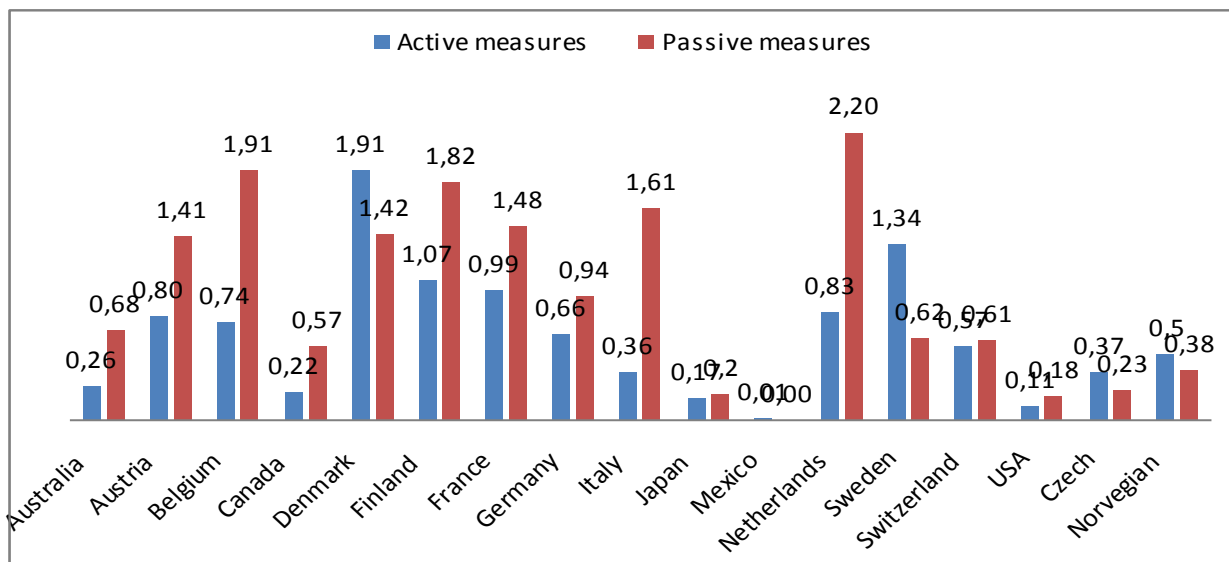


Fig.(3). –The expenditure on the labor market policy (in % of GDP) (built according to [10])

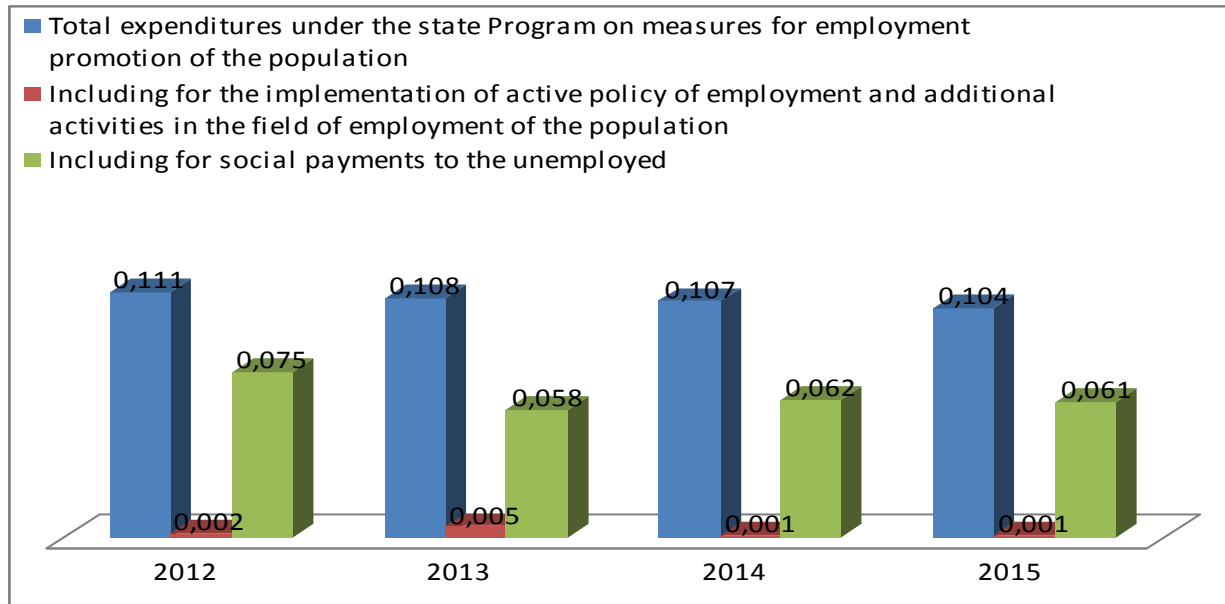
The measures of employment policy can be classified according to the several criteria: the target audience; the nature of the impact; impact; funding; scope; validity period; the period of maximum effect; efficiency (dominant); direct and indirect effects; characteristics; administrative impacts; form.

Table 2 shows the growth of the deviation of the unemployment rate calculated by ILO methodology, the rate of registered unemployment in Russia. The crisis situation caused by the introduction of socio-economic sanctions, is significantly enhanced the appeal of the population in institutions GSSN for assistance in finding employment which can be regarded as evidence of population estimation of its potential in employment. Despite the low statistical indicators of unemployment in Russia (unemployment rate of 5.4% - a moderate rate, in line with the average rate of unemployment in the G7 countries), the actual problem is the growth of employment in the mode of incomplete working hours, reduction of employment in large and medium-sized enterprises, risks of nursing dismissed for unskilled jobs in the informal sector. However, the extent of unemployment in modern conditions will restrain the reduction in the supply of labor in connection with the objective demographic processes in the country, the possibility of the compression sector of the labor market in which there is the employment of migrants.

**Table 2.-** Dynamics of unemployment rate in Russia (Rosstat, % [13]).

<b>Index</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Unemployment according to ILO methodology	7,1	7,1	6	6,2	8,3	7,3	6,5	5,5	5,5	5,2	5,6
Registered unemployment	2,5	2,3	2,1	2,0	2,8	2,1	1,7	1,4	1,3	1,2	1,3
The deviation of the unemployment rate by ILO methodology and registered unemployment (times)	2,8	3,1	2,9	3,1	2,1	3,5	3,8	3,9	4,2	4,2	4,3

The financing process of measures of active employment policy is largely determined by the state of regional budgets, inequality of fiscal capacity. The decline in Federal expenditure on social benefits in relative terms indicates a significant excess of the cost of implementing the passive policy measures compared with the measures of the active policy.



**Fig.(2).** Federal spending to promote employment of the population (according to the Programme, in % of GDP) [14].

#### ASSESSMENT OF THE EMPLOYMENT POLICY EFFECTIVENESS.

The analysis of methodology for assessing the effectiveness of employment programs revealed the following problems: the presence of different criteria, methods and indicators of elasticity measures for labor markets; lack of information support; underestimation of the long-term effects and strategic risks [15]. Foreign researchers also note the difficulties in determining the effects of active employment policy from the perspective of the target groups, reducing inequality in the labor market, the real performance, assessment of costs and benefits, impact on other parties of life of individuals (health, family) and society, groups of unemployed young people etc[16]. The analysis shows that the long term programs of active employment policy are more effective than in short-term (this is especially true of training programs, study), less successful programs of employment subsidies in the public sector. Firstly the price valuation is not considered in many studies of the effectiveness of active employment policy; secondly the assessment of methodology does not take into account the assessment of the impact of active programs on the "welfare" of the relevant results (income, employment, working hours) [17]. The methods development for assessing the effecting the programs of active employment policy will allow us to compare the social effects from alternative measures of active employment policy.

Based on the analysis of more than 200 recent econometric assessment of active programs on the labor markets in different countries, the authors [18] classify the assessment by type of program, groups of participants, time periods, and come to the following conclusions: the effectiveness of programs of active employment policy are more pronounced in 2-3 years after completion of the program; different types of programs have different performance in terms of time (for more efficient programs aimed at human capital accumulation; greater efficiency was observed for women and the chronically unemployed; active labor market increasingly have a positive impact on the recession). Some authors show the effectiveness in the long-term policy aimed at the development of competencies and skills allowing the actors in the labor market actually manage their income and to provide a standard of living [19] as "alternative" employment policy in the future.

The authors rightly point out that the most studies in the field of active employment policy focused on the supply side of the labor market that is regulate the behavior of target groups. The role and behavior of

employers are insufficiently studied in the country scale. For example, Danish employers are more inclined to actively participate in active politics of employment than the employers in other comparable countries such as the UK and Germany [20].

## **SUMMARY**

The assessment process of the employment policy effectiveness must consist of three elements: first, the results of its impact is evaluated on the individual level (based on the employment data, surveys of program participants, etc.); second, the results of its impact is evaluated at different levels of the economic system (macro, meso, micro); third, the best possible result is determined for a given measure at a fixed amount of its funding. However, in today's global and local challenges, the evaluation of the employment policy effectiveness is complicated due to the following aspects: the effectiveness of programs indirectly in the most general terms can be estimated via the proportion of employed people who applied to the state employment service of the population; the end result of the action is the result of the simultaneous action of several factors (socioeconomic conditions, macroeconomic policy, institutional regulation, and psychological factors); the uncertainty in the assessment of the costs and results of employment policy measures; the impossibility of simultaneous consideration of the effectiveness of anti-crisis measures at the nano -, meso - and micro-levels; "spacing" the result in time period, delayed effects; the underdevelopment of tools for the determination of efficiency, lack of necessary statistical data [15].

## **CONCLUSION**

Considering global and local trends in the labor markets, it should be noted the need of expansion and diversification of the rendered services in the field of employment assistance; expansion of a target segment and updating of work technologies with service receivers; orientations to preventive measures in employment; the improvement of service quality in the field of assistance to employment and implementations of management technologies by the results in activities of regional job centers; enhancement of a feedback system and monitoring of the subsequent career of service receivers. Besides the measures oriented, firstly, to creation of workplaces with worthy working conditions and secondly, for the long-term period are urgent.

The specificity of the modern state involves not only the implementation of the traditional, well-established areas of labor market regulation, but also the innovation, finding innovative measures in the labor market and the formation possibilities of "manual control" selected strategies for action. In this context, in our opinion, it is necessary: first, the development of scenario forecasts of the labor market taking into account the influence of global and local factors; second, the choice of priorities and application scenarios; third, preparing the Institute for employment policy to the new phenomena; fourth, the program management to promote a productive, full employment, taking into account new models of reality; fifth, the adjustment of planning, budgeting, and promotion of new strategies in the field of employment policy in accordance with new risks.

Thus, the subject field and the functions of employment policy in the face of new challenges expand: from the employment protection to sustainable labor providing in general and the reduction of the precarization of employment. Modern labor policy should be flexible to respond to the changes in the economy and to offer the appropriate and effective (in both the long and short periods) instruments for regulation.

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