

New Approaches Factor in Economic Theory of Work

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Following the recession that swept almost the entire world, the labor market worldwide is facing a tense situation. Employment policies should be oriented so that the potential of active work to be ready, capable and professionally prepared. Addressing human activity in a pragmatic manner, is the only way to deal effectively with the problems existing in the system, the common goal is to provide better access to the labor market for all walks of life and encouraging target groups to find a job easily and in a short time.

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Introduction: Work in economic theory

There is no universally accepted, generally recognized definition for the essential human activity - work; although everyone seems to know what work means, while there is a public consensus on what should and should not be considered as work. As demonstrated in the various definitions developed by scientists in the economic, social and other fields, the definition of work varies depending on the specific approach. Clearly, an economist will focus on other aspects of the work than a philosopher. However there is an understanding that the work phenomenon, in contrast to other activities, manifests in a real way; therefore, the work itself is a fact.

The essence of human society consists largely of economic doctrines according to which the work is the source of all values.

These doctrines, both historically and analytically, are related to the evolution of human society, to its way of organization, in three major eras: the Agrarian Age, the Industrial Revolution era and the era of Economy Services.

In agrarian society, man has acquired for the first time the means necessary to change his environment and thus to ensure increased chances of survival, agriculture providing basic subsistence and occupying a fundamental place in the economy. The wealth of the nation was given by the surplus obtained from agriculture (which alone creates surplus value) and which is the source of the division of labor and economic growth⁵⁴.

In industrial society, the industrial production of goods becomes the determiner the wealth of nations, thus, the more a company produces more goods, the richer it became. In the agrarian era, labor quantity and intensity were also determined by natural conditions. Decoupling work from nature, following the introduction of production processes independent of natural conditions, has changed the way of working. (For example, gas artificial lighting made it possible to increase the daily working time of industrial workers in Germany from 10 to 12 hours in 1800, from 14 to 16 hours in 1860)⁵⁵.

As the wealth of a society depended on its ability to produce a considerable amount of goods, economic policies had to seek to enhance or promote investment, particularly in industry, to enhance this asset. The ultimate goal of such policies aimed to achieve full use of resources, especially employment. The Industrial Revolution had a great impact on social policies. Industrial workers organized in trade unions have managed to obtain social benefits and pensions.

⁵⁴ Pohoată I., Universal economic doctrines, vol.1, Editura Fundației Academice „Gh. Zane”, Iași, 1998, p. 74

⁵⁵ Seifert E., Industrielle Arbeitszeiten in Deutschland, 1982, p. 4

The impact of the Industrial Revolution on society was enormous, fundamentally changing the way of life and perception of labor. Today we are in a stage of a major change in the economy and hence in the society: the transition from industrial economy to a service economy⁵⁶.

There are moments in human history, when theory and practice must be combined in a unique way, to meet the increasing, more diverse demands of a changing society.

Dilemmas regarding the future of labor and employment, are certainly among the most important issues that society faces today.

The concept of full employment of labor has been less discussed by experts in the economy towards the end of the twentieth century. This "disinterest" is hard to accept if it is considered that the issue concerned is able to provide solutions to problems inherent in economic development. Thus, both in the developed and in the developing countries, the problem of employment has become more urgent as the crisis has accelerated the degradation of public finances, being as they were under the pressure of increasing social costs. In these circumstances, it has become absolutely necessary to develop new sources of jobs through innovative economic mechanisms.

There are situations in which economic theory and its analytical instrumentation, has no capacity to understand and evaluate contemporary economic realities and to advance solutions to economic policy, adequate to the acute problems raised by the current development of society. Each theory corresponds to a particular historical situation until its deficiencies are highlighted. At that moment there appears the need for a new theory to be introduced, to extend their knowledge of new realms. Scientists, economists seek to redefine work and build a new model of labor compatible with modern economies.

Work is more than a factor of production in a functional economic system, being at the same time, an intrinsic part of human dignity. A relevant aspect supporting this idea is the evolution of economic thought on the concept of work, value, wealth.

Large-scale changes occurring in the world today, namely the transition from the traditional industrial society to a new type of society, the society of services, the knowledge-based society, induce changes in the workplace. These changes have a major impact on education and training systems.

The traditional and new visions are based on two **aspects**:

- labor and employment, and productive activities are aimed at creating a better life for people. Closely related to this goal is the creation of wealth.
- productive activities and work are intrinsically related to human potential.

Economy and, with it, economic theory developed as a consequence of the Industrial Revolution. Employment or paid work, no longer represents the highest priority, essential for economic development. Unpaid work, voluntary or benevolent, as well as autoproduction, can no longer be considered negligible factors of well-being.

Globally there has been a change in the economy, there is a shift from industrial economy to service economy, transition demonstrated in particular by the detectable mutation of the active population in general and particularly employed population, from primary and secondary sectors towards the service sector.

Today in modern economies (especially in developed countries), the services sector has a share of 80% in terms of manpower. Services dominate all productive sectors of the economy that depend increasingly on research - development, quality control, maintenance, financing, insurance, advertising, customer service, recycling, to get the best results. This process has stimulated increased volume of unpaid work as producers of goods and services try to transfer some work on the consumer.

Alvin Toffler described this phenomenon as the transformation of the consumer in „prosumer”⁵⁷, for example substitution of the activity of bank clerks through automatic release of cash, which implies superior knowledge of usage from the customer⁵⁸.

Economic thinking, specific to industrial society has neglected two dimensions of value: value of autoproduction and the value of autoconsumption. The workload intended for autoproduction tends to increase, particularly in the use of products and services. As a result, there is an emphasis on the complementary role of these two forms of employment, unpaid and autoproducer in relation to employment, i.e. paid work.

Employment in the new society based on services

The realities of today's society come to confirm Karl Popper's not exactly positive statements, on economics that seems sterile to provide effective solutions to the problem of employment; given that we know that each science disciplines role lies first of all in identifying and addressing priorities⁵⁹.

⁵⁶ Giarini O., Liedtke P., Dilemma of employment and the future of labor, Editura All Beck, București, 2001, p. 32-35

⁵⁷ Toffler A., The third wave, Editura Politică, București, 1996

⁵⁸ Giarini O., Liedtke P., Dilemma of employment and the future of labor, Editura All Beck, București, 2001, p. 36 -37

⁵⁹ Giarini O., Stahel W.R., The limits of certitude, Editura Edimpress, 1996, p. 157

We can see, based on statistical analysis and not only, that developed countries do not attain full employment of labor. If in the post-war period until the early '70s, unemployment was not a severe problem, within a decade, from 1972 to 1982, the number of unemployed has tripled sharply to the historic peak of 35 million in the mid 90s, not taking into account an appreciable number of people without a job, but not included in official statistics still having an uptrend. Currently, the global number of unemployed will reach about 202 million according to the International Labour Organisation (ILO).

Meanwhile, labor underutilization is even more striking in developing countries, where a considerable part of the population is excluded from the economic growth and development.

We are talking about those people living in the deepest poverty, which according to UN Secretary General Ban Ki Moon, represent a quarter of the world's population and whose number increases with 25 million each year⁶⁰.

Stringent issues, which the world is facing today: crisis, unemployment and poverty, would be solved if one would achieve the desideratum of full employment of labor force and this could be achieved only if we take into account another alternative on productive labor, on value, on wealth; by incorporating in the sphere of productive labor the wide variety of activities currently excluded from a money economy. For example, those provided within the family, community and society. By default, it creates a new perspective for tackling unemployment by expanding sources of employment. It outlines a new vision in the context of which all human activities gain value and preferential advantages, which seems rational under the economic, social and moral aspect⁶¹.

A new world is emerging, a new society, a new economy based on knowledge. The economic literature states that this is actually new economy service economy. It should be noted the following aspect, that this service economy does not identify with the tertiary sector, but is characterized by its specific activities that penetrate and are intertwined in all other economic activities of the primary and secondary sector.

Both classical and neoclassical economic schools argued that all businesses can be divided into three sectors: agriculture, industry and services (i.e. the primary, secondary and tertiary). In the early modern economic theory, priority was channeled into what was considered to be the most effective means for increasing the wealth of nations: the process of industrialization. Agriculture remains an important activity, but "traditional", but the industry is in the spotlight and the service sector has been a way of classifying activities of secondary importance. But just the efficiency of production processes in industry, driven by technology was what led to the current situation, where almost all processing activities depend to a 70-80% in terms of cost, on the service activities within the structure of production. These activities include research and development, financing, distribution, storage, maintenance, security, management.

As such, *"the services sector is no longer a subordinate to other sectors, it is moving towards the forefront of economic activity, in which they become indispensable production tools in meeting basic needs and essential means through which nations can achieve wealth growth"*⁶².

In all developed countries, jobs in the primary sector declined steadily in recent decades, while jobs circumscribed to the functions of services inside and outside the so-called tertiary sector, have contributed prevalently in employment workforce. Society in general and economics in particular has witnessed a transition from industrial production to services sector.

Currently in North America only a quarter of the working population is employed in industry. In the European Union the trend is similar, only 30% of the working population is concentrated in the industrial sector. While agricultural production in recent decades has consistently absorbed only 5% of the workforce in the EU the share of services rose to 60%⁶³.

The transition process from industrial labor workforce characterized by high productivity for service activities, deemed to have low productivity was the subject of lively debate. Continuing to reduce the size of the industry, increasing pressures on jobs that were once safe under professional aspect, layoff in traditional high qualification employment in favor of labor of lower professional qualification and growth of part-time work and temporary hiring created the image that the economy it is on the verge of losing productivity.

For some economists the cause of loss of skilled employment is a problem inherent to technological shocks associated with increased worker productivity and substituting machinery to the industrial worker; for others the cause of erosion of high-paying jobs in the industrial sector is represented by trade. All studies in this context seem to share, however, a common concern: how productivity of service can be measured in relation to productivity in the sphere of industrial production. There is still no answer to this question, since services are not in opposition to the primary and secondary sectors, but in a complementary relationship. Any increase in the plan of service efficiency will inexorably have an immediate impact on traditional

⁶⁰ OCDE(2004), Employment Outlook, Paris, p. 59

⁶¹ Giarini O., Liedtke P., Dilemma of employment and the future of labor, Editura All Beck, 2001, p. 9 -10

⁶² Giarini O., Stahel W.R., Limits of certainty. Braving the risks in the new service economy, Editura Edimpress, 1996, p.87-96

⁶³ OCDE(2004), Employment Outlook, Paris, p. 59

estimates of productivity in the industrial sector. Based on these studies regarding the service productivity one would recommend consideration of the concept of quality of results as part of quantifying productivity services. Optimizing the quality of performance is the yardstick for measuring productivity in the new economy, the services.

One should also consider the reverse, namely, for a long time it was believed that the services can ensure unlimited absorption of labor, but the very high productivity of new technologies specific to the new economy, leads to a state of crisis in terms of employment⁶⁴.

New approaches to the labor factor in economic theory

The new economy is based on the modern theory of factors of production, which is centered on the concept of resources and emphasizes on labor resources, knowledge becoming the essential component of the current economic system development. Knowledge, in the form of intellectual capital, hold first place by reference to the classical factors of production: labor and capital. Intellectual capital consists of accumulations and flows of knowledge available to an organization.

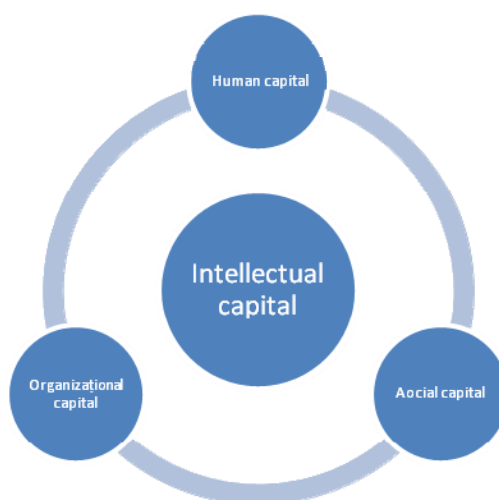


Figure 1. Elements of intellectual capital

The three elements of intellectual capital are:

- ✚ Human capital - the knowledge, skills and abilities of employees in an organization.
- ✚ Social capital - the accumulation and knowledge flows arising from networks of relationships inside and outside the organization.
- ✚ Organizational capital - Youndt defines as institutionalized knowledge baggage actually in possession of the organization, stored in the database manuals.

The labor market needs to be addressed correlative with the company (organization), which is the basic unit of the market economy system. A knowledge-based organization can inject a new entrepreneurial spirit and can motivate managers to transform their organization into one able to attract, utilize and develop its value. Obviously, knowledge, skills and abilities of individuals are the ones that create value and that is why the focus is on the means of attracting, keeping, development and maintenance of human capital that is represented by people⁶⁵. Human capital consists of intangible resources that workers provide for their employers.

T.O Davenport observed in his *"Human Capital"*: *"People have an innate baggage of skills, behaviors and personal energy, and these elements make up the human capital they use in their work. And they are the ones who have this capital, not their employers Work is a bilateral exchange of value, not a unilateral exploitation of an asset by its owner"*⁶⁶.

21st century society appreciates its employees in relation to what they know. Therefore the information becomes the decisive driving force in the new economy⁶⁷.

⁶⁴ Aceleanu M.I., Crețu A.Ș., Employment strategies and policies in the context of the current labor market, Editura ASE, București, 2010, p.45

⁶⁵ Armstrong M., Human resources management. Manual practice, Editura Codecs, 2003, p.47-48

⁶⁶ Davenport T.O., Human Capital, Jossey Bass, San Francisco

⁶⁷ Aceleanu M.I., Crețu A.Ș., Employment strategies and policies in the context of the current labor market, Editura ASE, București, 2010, p.44

According to statistics and forecasts developed in the last 200 years, the wave of technological change would cause high unemployment and / or strong real wage declines.

But such forecasts proved wrong: labor productivity growth has been accompanied by an increase in demand for labor and higher real wages⁶⁸. And this phenomenon was due to the new economy, that of the services. It is also increasingly clear that most services require a high level of education and even continuing education throughout the life cycle of the bearer of the workforce in all fields, which requires adaptation and adjustment of the education system in the smallest details.

New theories of labor markets are based on changes in work content. The general trend in the long term, in the labor markets in developed economies regards the activities involving the development and application of knowledge and new ideas. The supply of labor is based on qualitative sides of labor, putting further value on creative capacity, design, professionalism of the individual. The new quality of work and life of the cause and direct effect of economic growth and development in the long term⁶⁹.

Jobs of the not too distant future will be determined by the major impact of communications and neofactor production which is information, the driving force of the new economy on the labor market. These developments will have an impact on production processes and systems of companies and the administrative work. However, they will require more flexibility from future employees, regarding particular work assignments.

The pervasive trend for integration of information technology in the production process, such as to connect to a vast network the solutions offered by technologies circumscribed to computers will characterize future companies and their systems of administration.

Virtually all spheres of activities will be planned, managed and monitored through a single integrated information system, encompassing all previously isolated solutions. This integration will affect both the horizontal and vertical dimension of production systems as the different tasks of planning, design, production, marketing, distribution and product recycling will undergo an instrument of control unique and ubiquitous, consisting of a computer network.

At the same time employees who will work in this environment will require an education and vocational training greatly improved, in order to effectively use the new systems and the flexibility to adapt to change⁷⁰. The continued development and expansion of new technologies directly and significantly affect the labor parameters: content, duration, degree of qualification.

Specialists in human resources are concerned with identifying the structural, organizational and managerial elements of the new content of labor. The basics are: increase in the share of personality factors, substantial changes in the ratio between physical and intellectual work, increases the element of creativity in the work place, the individual reasoning is replaced by algorithm or rule making, increasingly turning to higher intellectual functions (reasoning, deduction, analysis, capacity for decision-making), therefore there is a process of intellectualization of labor, of increase in the quantity and quality of professional knowledge, increase in the complexity of interaction between man and machine, man and his professional task based on dialogue offered by electronic computing technique⁷¹.

Conclusions

In conclusion, in the economic and social theories on employment should be linked as well as possible with reality and one needs to find the necessary tools to ensure full employment in the labor market, the reduction of unemployment and inactivity.

Knowledge society and knowledge economy ("Knowledge Economy") are the new realities of the XXI century. The new economy places knowledge and information at the basis of development, different from other production factors that deplete by usage. Information extend, multiply and diversify through use, actually representing an inexhaustible neofactor of economic development. Storage of information, of knowledge, is achieved: through experience, by mass media (reading books, newspapers or watching TV) in general and particularly through vocational education and training.

In the "first wave" society, economic growth was based on the original factors, labor and land; the "second wave" society was seen in terms of capital, and knowledge and experience was gained mainly through "learning by doing"; in the "third wave" society, the pivot of economic growth and development is the intellectual capital and individuals must prepare to enter the labor market in accordance with different levels of training, specific training system. But learning extends throughout life, and after penetrating this market, thus acquiring the system of lifelong learning skills necessary to check to conceive, create and invent.

⁶⁸ The OCDE Jobs Study, Part II, 2003

⁶⁹ Ciucur D., Suciu M.C., Labor market, Collective Department of Economics and Economic Policy, Economie, Editura economică, 2003, Ediția a șasea, p.245-247

⁷⁰ Giarini O., Liedtke P., Dilemma of employment and the future of labor, Editura All Beck 2001, p. 138

⁷¹ Manolescu A., Human resources management, 4th edition, Editura Economică, București, 2003, p.93-97

These qualities confer labor bidders ability to adapt to changes caused by technical progress in order to reduce the risk of job loss⁷².

The knowledge-based society is characterized by the democratization of access to information. The primordial role of information lies in the fact that it is a source of value and economic competitiveness, leading to a professional interactive governance, performance based on knowledge. Work is and will be subject to significant changes; routine, repetitive and programmable work giving way to the creative work, nonrepetitive addressing novel tasks. There will be needed continuous improvement along the entire active life, and even change the profession, where applicable. Specialists consider that the investment in human capital is equivalent to the work required to raise skills, knowledge, so that access to technical and productive environment to be easy in terms of growth performance of the workforce.

We must realize that the workforce has become part of the development equation, not so much by the quantitative side, as through the qualitative-structural, expressed by volume and content of knowledge; the arithmetic factor which increases in direct proportion to physical strength in number, gender and age population, employment becomes the bearer and symbol of a nation - attribute evolving today quasiexponentially due to the intellectual force⁷³.

The criterion which is the basis for the currently classification of countries in terms of economic development (P.I.B.) is completed with the power of the intellectual force to produce and innovate.

As such, overcoming socio-economic difficulties, especially the rapid decrease in living standards, is accomplished by man – always the lever historical recovery, which in the present context is the "first of raw materials"⁷⁴.

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 OCDE(2004), *Employment Outlook*, Paris,

⁷²Suci, M. C., ș.a., *Issues of human resources training and employment*, Editura Oscar Print, București, 2000, p.3

⁷³L'emploi en Europe, Commission europeene, 1995, p.88

⁷⁴Servan- Schreider J.J., *Revolution in knowledge*, Editura Humanitas, București, 1990, p.188