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UNEMPLOYMENT AS A SOCIO-ECONOMIC PHENOMENON: WAYS OF SOLUTION TO THE ALTERNATIVE PROBLEMS OF UNEMPLOYMENT AND POVERTY

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The article presents the problem of unemployment, its socio-economic characteristics; the definitions of terms related to this phenomenon, as well as the reasons influencing current dynamics of unemployment are also presented in this paper.

Unemployment is often considered a key indicator of the economy. It causes negative economic and social consequences. The most obvious measure of unemployment is the unemployment rate. Each state has its unemployment rate and tries to find the ways to decrease it, that is foreseen by the international labor standards.

The more unemployed workers the less total economic production. The problem of unemployment is a global problem, but one of the most pressing global challenges today is youth unemployment. Its scale is overwhelming.

Despite the large number of scientific research, the problems of unemployment and employment are currently considered not to be studied enough. That is why, the unemployment phenomenon is under discussion today and considers to be the most important problem.

Key words: unemployment, labor market, unemployment rate, labor competitiveness.

*Only man is capable of work, and only man works, at the same time
by work occupying his existence on Earth. Thus, work bears a particular
mark of man and humanity, the mark of a person operating within
a community of persons. And this mark decides its interior characteristics;
in a sense it constitutes its very nature
(John Paul II).*

Introduction

A man is born to labor as a bird to fly, writes Pope Pius XI in his encyclical “Quadrogesimus Annus”. In this way he expresses the main idea. The disclosure of a man’s nature, his self-realization is carried out through constant work that requires a lot of efforts. Those who do not work and make no efforts, can not reveal their identity.

A human labor is a conscious life activity in the process of which a man converts the elements of work adapting them to meet the needs through the instruments of labor; it is one of the most important factors of production. The work, therefore, is a part of human life, it plays an important role in the life of every person.

The work can be both creative and intellectual, it may require heavy physical efforts, it can bring us joy or displeasure. But every kind of work is the driving force in the life of every person, work ennobles a man, it is the essence of his existence. It

can be confirmed by proverbs, among which there are a lot of Ukrainian and Polish ones: “Even a mosquito doesn’t get a pat on the back until it is well into its work” or “The greatest wealth is work”, “A man is born to labor as a bird to fly”, etc.¹

The essence of work defines its functions:

- to meet the diverse needs of a person (tangible and intangible);
- a personality development factor (intellectual and physical);
- a source of satisfaction and pleasure relating to work results;
- a factor that brings people together to solve different problems;
- a factor that creates new values;
- the instrument for nature use.

The working-age population can be divided into:

a) the economically active population – it refers to those who work and don’t work, but who can work, declaring its willingness to work; they can not find job during a certain period of time.

b) economically inactive population – people, who do not work and do not want to work or can’t find job.

The right to work is one of the most important socio-economic rights and determines the opportunity for people to be engaged in labor to ensure both, material well-being and their spiritual development in conditions of freedom and dignity, economic security and equal opportunities.

However, in time of economic crisis, the right to work becomes a society problem and causes the unemployment rise, massive human rights violation. The important role in this case belongs to a state, which must take all possible measures for people protection and the right to work.

The problem of unemployment is nowadays the most important socio-economic problem and this refers not only to Ukraine, but also to the countries all over the world, where the number of the unemployed is constantly increasing. It is generally known that the unemployment rate is an indicator of the economy. Hence the conclusion, the lower the level of the economy, the higher the unemployment rate.

It should be noted that the unemployment rate increases due to the increase in population in the world. It can be also affected by market relations, as unemployment is a market phenomenon. In a society where the economy is run in a natural way, such phenomenon as unemployment doesn’t exist, because people are busy with farming, they do not look for work for hire and they are not going to organize business. That is why, the processes of industrialization, urban population increase are the reasons for unemployment. Economic factors also have an important impact on unemployment. According to international standards, the unemployed ratio is defined by three fundamental criteria – people looking for work, people who are unemployed and people willing to work. And it is not surprising nowadays that there is the fear of

¹ L. Dyczewski, T. Kowalski, Z. Korzeb, *Problemy ekonomiczne i społeczne bezrobocia* (Łomża, Wydaw. WSZiP im. B. Jańskiego, 2003), 13–15.

unemployment growth all over the world. Speaking of Europe, the unemployment rate is growing in many countries. According to Eurostat data, there are 23,264 mln. people who are unemployed in EU. The lowest unemployment rate is in Austria (3.9%), in the Netherlands (4.5%) and in Luxembourg (4.8%); the highest one is in Spain (22.6%). However, the unemployment rate has increased in other countries and has achieved the impressive proportions. Among the countries that have recently suffered a deep economic crisis and have the highest unemployment rate are such as: Greece, Italy, Latvia, Lithuania, Portugal, Slovakia and Spain².

The issues of unemployment were studied by many foreign and national scientists. Among them are L. Bilyk, G. Terence, L. Field³. Despite the large number of scientific works, the problems of unemployment and employment are currently considered not to be studied enough. That is why, the unemployment phenomenon is under discussion today and considers to be the most important problem.

Unemployment is a socio-economic phenomenon defined by the unemployment rate of a certain amount of labor (economically active population) in the economy sector⁴. In real life, unemployment is the labor supply excess over its demand. In addition to the above-mentioned reasons for unemployment, one should add the following ones: a decline in the economic development, structural changes, technological progress and new technologies implementation.

They are caused by low investment, low technology investments in the economy, etc⁵.

So, unemployment is caused by:

- labor migration,
- the decrease in economic development and the overall demand for labor,
- structural changes in the economy,
- late payment of wages or lack it thereof,
- limited jobs,
- privatization and denationalization.

All the above-mentioned reasons which cause unemployment lead to negative economic and social consequences. One should take into consideration the social implications of unemployment, it is very important. Lack of jobs, poor living conditions, poverty and further isolation from society lead to the fact that the unemployed do not have any income, they have no future. The longer a person is unemployed, the less attractive he is for the employer - a person becomes disqualified.

Scientists consider that unemployment creates social aggression and increases the criminal situation in every country. In their studies they had found a link between

² M. Postuła, “W świecie bezrobocia”, *Nowe Życie Gospodarcze*, 19 (2001), 5.

³ Леонід Білик, *Економіка праці: Навч. Посібник*. (Чернівці: Рута, 2001), 5–9.

⁴ О. Чурилова, “Безробіття в Україні: причини, види, наслідки. Наукові доробки молоді – вирішення проблем європейської інтеграції” *Континент* 12 (2010): 182–184.

⁵ 7. Катерина Лопатіна, “Стан та напрями ліквідації проблеми безробіття в Україні” *Управління розвитком* 16 (2011): 85–86.

unemployment and killings as well as violence. According to American sociologists, 70% of prisoners were unemployed at the time they were arrested. Thus, the crime can be caused by a high unemployment rate in a society. The decline in living standards, because of unemployment, forces the unemployed and their families to survive and sometimes even to sell valuables to make ends meet. If a person is unemployed for a long period of time, he has to live on allowance, which is usually quite low in cash. Such kinds of income do not allow to nourish in a proper way, it leads to illnesses. In that case, the unemployed are unable to save, they feel desperation and it means, they do not have future. Poverty creates social and political apathy⁶.

Speaking about the social consequences of unemployment, it should be noted, that this phenomenon can lead to a deterioration of family relationships, aggression towards family members, conflicts and divorce. What concerns psychopathic symptoms, one should note, they refer not only to the unemployed themselves, but also to the members of the family. It is probable that unemployment affects not only directly, but it refers to those, who have indirect relationships. Among the emotional effects of unemployment it is marked a sharp decline in self-esteem, in many cases the depressive syndrome leads to suicide.

Unemployment also leads to the negative economic consequences, first of all, to the direct economic losses for the society. When some people lose work, it means the production is decreased. According to experts, the increase in unemployment by 1% leads to a loss of nearly 2% of annual production, that is, a society loses a certain amount of goods and services which are not produced. The economists define this “lost” product as GDP gap, which is the difference between actual GDP or actual output and potential GDP. Unemployment is one of the main reasons for work efficiency and production decrease, that is, deterioration in the quality of products and competitiveness decrease. This is due to the fact that some people have to work for low salary, their work is not prestigious, not interesting, they don’t like it. It results in inefficient, poor work quality, constant change of personnel. Moreover, in these circumstances it is impossible to form good production teams.

It should be noted that due to the financial crisis and low economic growth rate, the unemployment problem has no real prerequisites for a quick solution in many countries, especially in Ukraine. The problem of unemployment hasn’t been solved in Ukraine yet, the same can be said about the European society. The official level of employment in Ukraine doesn’t reflect its real level, the unemployment benefit is not sufficient for minimum requirements, there are problems with the employment of the vulnerable groups of population. These factors demonstrate that the state does not fulfil its obligations to guarantee the right to work and the employment. One should take into consideration that unemployment phenomenon has also a hidden form, that is, the unwillingness or inability of a large group of working-age unemployed to be registered in the employment services.

⁶ Доступ отримано 18 липня 2016, <http://works.tarefer.ru/85/100050/index.html>

Today, the unemployment rate in Ukraine is 7.4% and is rather high in comparison to EU countries and the registered unemployment rate is only 2.1%⁷. The unemployment rate in member states of the European Union rose in 2013. Today there are 26.2 mln. unemployed in the EU (including 19 mln. in euro zone) that is, 10.8% of the active population of the European Union (11.9% of the euro area). According to statistics, in the early 2013 there was a significant unemployment gap between the south and north of the euro area, the GDP in the EU in 2012 decreased by 0.5%. Expenditures on social protection were falling faster than during the previous economic crises⁸.

There are two main types of unemployment –natural and forced one. Each of these types has its own specific forms. The voluntary, frictional and structural forms belong to natural unemployment, whereas involuntary unemployment exists in flowing, hidden, stagnant and seasonal forms.

There are various methods and ways to overcome unemployment in the world. Each country should take an individual approach to solve this problem, ranging from professional forecasting youth employment and ending with the principles of improvement of remuneration, which should also match the workload and quality of work performed.

EU countries solve the unemployment problem better, they reduce the unemployment rate due to political programs realization. The unemployment rate in the EU has increased for the last 5 years. In many member states there is no significant improvement in the employment of people. In many EU countries taxes on employment increase, and the amount of budget is reduced, so the household sector becomes unstable. We consider the governments should invest to return to overall economic growth and to offer the citizens good living conditions. The main directions and ways of solving the problem of unemployment in Ukraine should include a range of measures, such as: the legislation of Ukraine should correspond to international norms and principles, introduction of mechanisms to protect the domestic labor market, implementation of the state and regional employment programs, promotion of the sustainability of strategic enterprises, effective preservation of jobs and making new favorable conditions for small business and entrepreneurship of the unemployed, legalization of black employment and so on⁹.

A panacea for the unemployed in Poland, for example, is to go abroad for seasonal jobs, for vocational training. It is also very important that the mandatory services EURES are implemented at the local employment services; the aim of the European Employment Services EURES is to provide information, consultation and to support those, who are looking for work in the border regions and in the European Union,

⁷ Державний комітет статистики України, доступ отримано 18 липня 2016: <http://ukrstat.gov.ua/>

⁸ Доступ отримано 18 липня 2016, <http://fp.cibs.ck.ua/files/1103/11kiytps.pdf>

⁹ *Andzej Solak, Problematyka pracy i bezrobocia w kontekście funkcjonowania rodziny.* (Warszawa: Wydaw. WSP TWP, 2010), 7–9.

Iceland, Norway and Switzerland. The influx of EU funds is also of great importance, it contributes to taking measures by the European Employment Services such as: employment, improvement, formation of flexible labor relations. Speaking of unemployment prevention, we can not ignore the problems of people with disabilities – getting job for them is a great opportunity not only to improve the financial situation, but also social integration and rehabilitation. People with disabilities, along with other unemployed, can apply for a job through employment centers and get loans to start their own business.

As the problem of unemployment is a global problem, each state tries to find the ways to solve it, it is foreseen by the international labor standards.

There are two different approaches that contribute to the prevention of the problem of unemployment and reduce its level – the US (“hard”) and Swedish (“protectionist”).

The American approach lies in the fact that society is not responsible for a person in a great extent, it provides responsibility and self-fulfillment. The unemployed, through this approach, receive benefits no more than six months, and it makes the people to look for a job. Those who do not find job during this period join a group of poor citizens, living due to the funds allocated by state in the form of aid¹⁰.

The Swedish approach means to conduct active measures. The unemployed are requalified, new working places are made for them; this approach contributes to the development of small business and self-employment process. This approach is called “protectionist” and is the basis for social and democratic labor market. This approach is the most acceptable for Ukraine.

The system of measures for the regulation of unemployment in Ukraine includes: the development of an extensive system of public employment services, vocational guidance, training, retraining and skills enhancing; provision of entrepreneurs with subsidies, bonuses and tax incentives for hiring the additional labor or reducing working hours for employees; state support for non-traditional spheres of employment; stimulation of entrepreneurs for training, re-training and subsequent employment of additional labor; involvement of private (both national and foreign) capital in areas with persistent unemployment level; regulation of the employment opportunities abroad, joining the international labor market by Ukraine; increasing the number of trainees in the system of vocational education; taking measures on quotas for members of the most vulnerable groups in the labor market; provision of the unemployed who start their own business with the interest-free loans; organization of social (public) works by regional or local authorities.

Taking into consideration the real state of the economy, it should be noted that one should increase the workforce productivity to overcome unemployment. This is, firstly, reduces costs, and therefore, the prices of goods and services, making them available to the majority of citizens and competitive on the international market; secondly, it will enable to increase wages, pensions, scholarships and other transfers. The increased

¹⁰ Володимир Кулішов, *Мікро-макро економіка : підручник*. (Львів : Магнолія, 2006), 25–27.

purchasing power requires, thus, an increase in goods and services, and it will lead to production increase, which in turn, requires the involvement of additional labor and employment growth.

To overcome unemployment is to increase the labor competitiveness due to improvement of skills, mainly: the growth of general education, professional development, expansion of the range of professions, development of medicine, culture, sport.

To decrease unemployment rate one should also include the continuous improvement of social and labor relations as well as conducting collective negotiations. It is very important for Ukraine as social and labor relations are not developed enough, but development potential is very significant.

Conclusions

The problem of unemployment exists in every country. The number of the unemployed is constantly growing. The reasons for this phenomenon are economic and political situations in each country. Therefore, it is important to apply an individual approach to overcome unemployment.

As for Ukraine, it should be noted that this problem is not solved. The authorities nowadays do not hold the appropriate steps to improve the situation with the unemployed; the government of Ukraine does not make reforms that would help partially to solve the problem. Today the formation of the labor market should take place at both regional and national level, as well as at the international one. Ukraine should form the labor market, taking into consideration the advanced countries economies, including national and international priorities, in order to have low unemployment rate and high-skilled labor.

Socio-economic effects of unemployment can be defined as follows: currency devaluation, partial use of the human potential of society, the standard of living of the unemployed and their families is getting worse, the costs of society and the individual to make changes in professional status and productivity levels increase, the number of people with deviant behavior grows, that is contrary to the accepted social norms and values.

It doesn't matter the way the unemployment phenomenon is treated, it is always a tragedy for those who do not work and can not get a stable source of income. The prolonged inactivity leads to social degradation of a person. There is a link between the growth of suicides, murders, thefts, mental illnesses and high level of unemployment. Finally, mass unemployment leads to significant social and political changes, often in the form of sharp social conflicts. Many politicians are well aware of this fact and try to avoid high unemployment rate in their countries.

БЕЗРОБІТТЯ ЯК СОЦІАЛЬНО-ЕКОНОМІЧНЕ ЯВИЩЕ: АЛЬТЕРНАТИВНІ ШЛЯХИ ВИРІШЕННЯ ПРОБЛЕМ БЕЗРОБІТТЯ І БІДНОСТІ

Світлана ПАНАСТЬ

Державна Вища технічно-економічна школа ім. кс. Броніслава Маркевича,
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У статті розглядається проблема безробіття, його соціально-економічні характеристики; представлено визначення термінів пов'язаних із цим явищем та висвітлено причини, що впливають на сучасну динаміку безробіття.

Безробіття часто розглядається як ключовий показник економіки. Це явище викликає негативні економічні та соціальні наслідки. Найбільш чітким показником безробіття є рівень безробіття. Кожна країна має певний рівень безробіття і намагається знайти шляхи зменшення цього показника, що передбачено міжнародними трудовими нормами.

Чим більше безробітних, тим менше загальне економічне виробництво. Проблема безробіття є глобальною проблемою, але сьогодні одним із найбільших глобальних викликів є безробіття серед молоді. Його масштаб є вражаючим.

Незважаючи на велику кількість наукових досліджень, питання безробіття та зайнятості сьогодні вважаються недостатньо вивченими. Тому явище безробіття сьогодні є ключовою проблемою і підлягає широкій дискусії.

Ключові слова: безробіття, ринок праці, рівень безробіття, конкуренція у трудових відносинах.