PARTICULARITATILE PIETEI MUNCII DIN ECONOMIILE EMERGENTE IN CONTEXTUL GLOBALIZARII

Ec. Drd. Cristian Marinescu,
Inspector - Agentia Nationala de Administrare Fiscala – Directia Generala Coordonare Inspectie Fiscala
Doctorand - Academia de Studii Economice Bucuresti – Facultatea de Economie

Abstract

Teoria economică ne spune că pentru asigurarea stabilității macroeconomice și a creșterii economice sustenabile este necesară participarea tuturor factorilor de producție, respectiv munca și capitalul, dar și a progresului tehnologic. Contribuția factorului muncă presupune un nivel ridicat al ocupării.

Un grad ridicat al ocupării înseamnă o bază mai largă a impozitării ceea ce determină o creștere a veniturilor bugetului de stat și a bugetelor asigurărilor sociale (de sănătate, somaj, pensii, etc). Acest raționament este valabil doar în economiile dezvoltate, deoarece particularitățile economiilor emergente în contextul actual al globalizării, pe care le voi trata în acest articol, ne arată altceva.

În această lucrare voi prezenta argumentele pentru care într-o economie emergentă nu este suficientă doar creșterea gradului de ocupare pentru asigurarea bunăstării economice, ci trebuie avută în vedere creșterea gradului de ocupare în activitățile din care se obțin venituri fiscalizate, deoarece, în economiile mai puțin dezvoltate, există un segment important de populație, care, deși se declară ocupată, nu este fiscalizată, deci nu contribuie la formarea veniturilor bugetului de stat și al bugetelor de asigurări sociale.

THE FEATURES OF LABOR MARKETS IN DEVELOPING ECONOMIES IN THE CONTEXT OF GLOBALIZATION[1]

Cristian Marinescu[2], drd. Academia de Studii Economice – Bucureşti
Niculae Mardari[3], research associate of Applied Economics Group (GEA).

Abstract:

Economic theory tells that macroeconomic stability and sustainable economic growth is based on involving of all factors of production, like labor and capital, and the technological progress. Labor factor contribution involves a high level of employment.

A high level of employment means a broader tax base which increases the state budget and the budgets of social security (health, unemployment, pensions, etc.). This reasoning is valid only in the developed economies, because the emerging economies features in the current context of globalization, which we will describe in this article, it shows us something else.

In this study we will present the arguments for is not enough only the increasing rate of employment level for the economic welfare insurance in emerging economies, but should be take in consideration the increasing employment in taxable activities, because in the economies less developed, there is an important segment of the population, which is occupied but not taxed, so do not contribute to state budget revenues and social security budgets.

Keywords: *Emerging economies, employment level, taxable incomes, macroeconomic stability.*

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[2] E-mail: cristym1978@yahoo.com; Telefon: + 40743.116.337
[3] E-mail: mardarinicolae@yahoo.com; Telefon: + 40720.274910

Introduction

The employment level problem of any country, as an indicator reflecting the degree of welfare was the subject of study and research in the works of many economists.

Starting with the founder of the classic liberal school, Adam Smith, who considered that a society is getting richer as it uses more productive employees and is getting poorer as it uses more unproductive workers (servants or govermental employees), and continuing with the marxist ideology that developed the idea all the citizens of a country should have a job, reached the conclusion that in order to insure a macro-economic stability should exist a high level of employment and more recently that there is a natural level of unemployment, in every economie, and a country's GDP is at its potential level when the unemployment is at the natural level. (Friedman, Milton 1968).

A high level of employment, means a high scale of taxation, that leads to an increase of the incoms to the general consolidated budget. This reasoning is valid only in the developed economies, because the structural problems of the labour market in the emerging economies, raised in the current context of the globalization, such as the dual character of the economie (that contains the formal and informal sector), the lack of labor flexibility and the inequality of the incomes shows that is not enough to raise the employment level to insure the economical welfare, but also increasing the employment level in the formal sector of the economy.

In the emerging economies, the informal sector is significantly increased and contains an important segment of the active population, who, even if it's employed, is's not taxed, so it does not contribute to the increase of the state budget and of the social budgets (health insurances, un-employment, pensions, etc).

These features of the labor market in the emerging countries, developped as a consequence of the transition period that the emerging economies went through in their way to a market economie and to the dismission of all protectionist barriers from capital, free traffic of goods and labour marke wayt, in the context of the globalization.

Globalization

The globalisation is a dynamic process of liberalization, opening and international integration on a large scale of markets; from the labour market to the financial market and from the goods and services market to the market of new technologies. The globalisation demands the dismission of all barriers from the free traffic of capital, goods, services and labour.

The globalisation process is not a new one, during the history existing several waves of globalisation, that developped in stages. The first wave of globalisation was between 1870 - 1914, lasted for 44 years and ended with the First World War, including also the Great Depression from 1929 - 1933. In this first wave, over 60 mil. people emigrated from Europe to America and a total of 100 mil. emigrated globally from an average population of 1.500 mil., this means about 6.7% from the total population (*Guillermo de la Dehesa, 2006*).

This second stage of globalisation overpassed, as length, the first one, included more financial crises, the last one from 2007, could be compared to the Great Depression from 1929.

Now, the flow of migration is significantly decreased proportional to the total population comparing to the previous stage of globalisation. The emigrants represents almost 214 mil. from the world's population (OIM – International Migration Office „World Migration Report", 2010) of approx. 6.800 mil, so 3.15%, half of the previous globalisation. This slow integration in the labour markets is, on the one hand the result of the imigration control and on the other hand of the cultural, linguistic and educational barriers.

However it is estimated that if migrant population will continue to increase as it did in the last 20 years, the emigrants could double to international level untill the 2050, reaching 405 million people (IOM, „World Migration Report", 2010). To the level of the European Comunity, most immigrants that arrived in the EU contries in 2008, were romanians (384 000), followed by the polish (266 000) and bulgarians (EU statistic press release, 2010).

This fact is due to the much stronger conditions, which the new age of globalisation is based on, such as the big number of economies opened to the international trade and to the foreign capital, especially after the liberalisation of the excomunist's countries economies. Other advantage of this new age of globalisation is represented by the technological development, mainly in the telecomunication field, which made possible the increase of the financial markets, leading to the increase of the transactions, regulations and payments between traders.

Bardo, Eichengreen and Irwin (1999) went further with the argumentation, saying that the world that we are living in today is a lot different from the one of the beggining of the 20th century, due to the fact that the political systems are far more democratic and they allow thus a bigger representation of the interests of the people, but also because the character of the globalisation changed, this process becoming more profound and broad than it was at beggining of last century.

The historical experience shows that globalisation periods determinded a faster increase of the GDP then the protective ones. Beggining with 1820 till 1870 the yearly increase of the GDP/capita in the developed countries was 0.9%, comparing to the first wave of globalisation from between the periode of 1870-1914, when the average increase of the GDP/capita was of 4%. During 1914 - 1950, periode that included the two World Wars and the Great Depression, the rythm of economical increase of the developed countries, decreased to 1.2%, beeing followed by an increase of 3% in the periode of 1950-2000, in the new stage of globalisation.

David Greenaway (1998) wrote: „ A trading regime that is very protectionist and without form is a necessary and sufficient condition to a slow economical increase. A liberal and open trading regim is a necessary but not sufficient condition for a fast increase. The liberalisation of the trading will not lead the economie to a new direction but it has to be compatible with other reforms in the economical politic and it has to be sustained. The latest experiences shows very clear that the liberalization and globalisation of the market's capital, it is not without problems. Financial crises are more and more frequent. Intense entry of capital produce financial perturbations and sudden withdrawals of capital produces crises and negative influences in other countries".

The begining of the last wave of globalisation coincided with the IMF creation, through the Agreement from Bretton Woods (1944) and with the European Comunity, born from the Treaty of Paris (1951) under the form of the Euopean Comunity of the Coal and Steel, transformed into the Economical European Community by the Treaty of Rome (1957) and became European Comunity by the Treaty of Maastricht from 1992.

The International Monetary Fund was created based on the economical theorie of Keynes, having as main objective the prevention of an world wide crises and ensuring the macro-economical stability of the countries, that were encountered difficulties in the control of the exchange rate and of the inflation. Near IMF, was born also, the World Bank, that gives loans for investments but, which consequently became concerned by the structural problems of the economies of the financed countries, especially of the emerging ones.

After the Great Inflation from the ’80 years took place the Congress from Washington, based on the new theories of Friedman, it founded new macro-economic politics in order to control the crises, politics based on three main ideas: fiscal austerity, privatization and liberalization of the market.

This is why, a lot of emerging countries and especially the ones that took loans from the International Monetary Fund, have applied, during the transition to the market economy the IMF established measures. We refer here to the privatization of unprofitable state companies, the liberalization of the trade and financial markets, fiscal austerity measures to limit budgets deficits, measures that are considered by IMF as beeing esential for providing a macroeconomical stability and a sustainable economical increase. Moreover these economic measures have been achieved through shock therapy, meaning in an allert tempo and with high social costs.

In the vision of many economists, such as Stiglitz, the privatization of the ineficient companies owned by the goverment, is one of the necessary request of any economy that wants the transition to a competitive economie, because beeing protected from the competition by protectionist measures, the unprofitable companies of the goverment have forced the consumers to pay high prices. Therefore, when the privatisation (reducing the custom fees and the elimination of the protective barriers) is made correctly and in a long enough time in order for the private sector to be able to absorbe the labour, fired from the state companies, the advantages of the privatisation may be substantial. But the unemployment shift of the workers from the unprofitable companies of the state, without this measure to be part of a wider programme, in such a way that the private companies to be able to absorbe the additional labour, will not lead to the revenue growth and of the population welfare (Stiglitz Joseph, 2005, pag.103).

Alongside privatisation, liberalizing the trade and the financial markets was another process that the emerging countries had to go through, in their way to the market economy.

Liberalisation is the process through which an economy is removing the barriers for the trading exchanges and of the involvment of the state in the functioning of the financial markets. Usually, the liberalisation of the trade has been made in the emerging countries at the advise of the IMF, that considers that through these structural changes will be created new jobs with a higher productivity instead of the old ones, less productive, that have been created in along the protective barriers of the centrilized economies. The empirical reality showed that the real situation is not exactly as IMF foreseen, becasue in order to developp a new business and to create new jobs is needed capitalist spirit but also capital, and these things missed almost entirety in the emerging countries, on one hand because of the lack of education in the management and business of the population and on the other hand because of the lack of money (Stiglitz Joseph 2005, pag.106).

The liberalisation of the trade has been made artificial without that the countries that opened the borders for the imported products to be able to face the competition , and this fact had bad economical and social consequences, meaning that a lot jobs have been lost. Neither the liberalisation of the financial markets in the emerging economies had more succes because it has been made with force without having enough information to stimulate the economical increase. These countries have liberated too soon the account of the capital ignoring the possibility of entries and exits of speculative capital, that are actually leading to the creation of some speculative baloons on various markets, especially on the real estate, as it was also in the case of Romania.

Let's not forget the fact that the developped countries have opened the market of capital, only in the 70's, when existed already a solid banking system that could face the speculative capital. Alongside the privatisation of the unefficient companies and the liberalisation of the trade and of the financial markets, the IMF politics applied in the emerging countries were headed to shock therapies, counting on the fact that emerging economies will develope faster if these measures were applied sooner and without policies of social protection. In most cases the results were in contradictory to what it was expected, leading to major structural inbalances in the economies that took these measures, such as polarization of the wealth, inequality of the distribution of the incomes, increasing the degree of poverty, the development of the informal sector and high budget deficits.

The features of the labour market in developing market

The measures applied during the transition to market economy by developing countries have achieved high social cost and not only that, these measures have produced deep structural imbalances in the economy and in particular the labor market.

Among the most important structural imbalances existing in less developed economies are the dual character of the economy, represented by its two sectors, the formal and informal employment, lack of labour flexibility and low wages, which is a barrier on labor market. They are, in fact, the main differences between the labor market in developed economies and the labor market in emerging economies.

Refering to the dual character of the economy, Hart considers that some economic activities and enterprises are formal in the sense that they take place in the framework of official legal structures and of special regulations, whereas other "take place beyond effective state regulation" (*Hart, 2001*)

In the literature, theformal sector is alternatively called modern, urban, good jobs, industrial, while the informal sector is alternalively called, agricultural, traditional, bad jobs, rural (*Field, 2009).*

One important distinction is between informality of enterprise and informality of employment in sense that formal sector enterprises can employ workers informally. Workers who are informally employed are unlikely to benfit from the protections of those who are employed formally, whether or not they are employed in informal enterprises. Also, it can be supposed that workers in the formal sector are likely to be more skilled, better paid and more likely to be provided with non-wage benefits such as the protection offerd by formal pension and social insurance systems. In the poorer developing countries it can be usually consider that the majority of workers are likely to belong to the informal sector, because the most accessible livelihoods involving agriculture, petty commerce, manufacturing and services are likely to be outside of state regulation (*Reddy, Sanjay G., 2006).*

Another distinguishing features of the developing countries it referes to the fact that workers earn different wages depnding on the sector of the economy in which they are able to find work. Lewis wrote (1954) "earnings in the subsistence sector set a floor to wages in the capitalist sector, but in practice wages have to be higher than this and there is usually a gap of 30 per cent or more between capitalist wages and subsistence earnings".

Lewis explained that the difference between formal and subsistence economy incomes is not significant because of the higher cost of living in urban areas, however, between the two categories of income remained a gap due to: a) "psychological cost of transfering from the easy going way of life of the subsistence sector to the more regimented and urbanized environment of the capitalist sector"; b) the payoff to experience in the capitalist sector and c) "workers in the capitalist sector acquiring tastes and a social prestige which have conventionally to be recognized by higher real wages.

Kuznets (1955) further developed the model of wage dualism and intersectoral shift by exploring how various measures of income inequality would change as the high income sector comes to employ an increasing share of population. All of the inequality measures used by Kuznets (the income share of the poorest quintile, the income share of the richest and the inter quinile range) exhibited an inverted U pattern, which later came to be known as the Kuznets Curve.

Another way of modeling the duality of the informal sector is to specify two informal sectors that are geographycally distinct. Todaro (1969) had tree employment sectors – urban modern employment, urban traditional employment and agricultural employment. *Harris and Todaro* (1970) had urban modern employment, agricultural employment and unemployment but not urban informal sector. *Fields* (1975) had three employment states – urban modern emplyment, an urban informal sector and rural agricultural employment plus unemployment.

Referring to the agricultural sector *Harris and Torado* (1970) assumed that anyone who wanted to work in agricultural could find a plot of land, cultivate it, and earn the marginal product from his or her efforts. This kind of work in agricultural subsistence that ensure survival may be an alternative to formal sector work for a short period of time.

The most common characterization of the informal sector is that it is an easy-entry sector that workers can enter to earn some cash in preference to earning nothing. The important features of labor market dualism described above is that the formal sector offers relatively attractive wages and other terms and conditions of employment while the informal sector offers relatively unattractive ones. This leads to the first characterization of the informal economy: workers prefer formal sector jobs and enter the informal sector only as a last resort. More recently, though a different view has been put forth: that the informal economy is a desirable sector that workers choose in preference to formal sector work. A third view is that informal economy has its own internal dualism combining these two characterizations. (*Fields, 2008*)

Ample empirical research has shown that labor earnings in the informal sector are low, lower even than in the formal sector in a arage number of countries. For example, Sudarshan and Unni (2003) see informal work as a "survival activity of the very poor" nothing that the dimensions of informal activity are large: 35 - 85% of non agricultural employment in Asia, 40-97% in Africa and 30-75% in the Latin America Caribbean region.

The essence of free entry is that all who want a job can get one. "Job" here is defined to include both self employment and wage employment. Barriers to entry into such ocupations are small or non existent. In some contexts, primarily urban, all that would be workers need to do is make a minimal investment in the product or service to be sold. In rural contexts, it is obligatory for the family or community to take back into the home those who find such or the best of a bad set of alternatives (*Fields, 2008*).

The existence of free-entry employment opportunities in the informal sector helps explain why open unemployment rates in developing countries are comparable to those in developed countries and often considerable lower . (*Turnham 1971,1993*)

The standard definition of unemployment is a person who did no work for pay in the preceding week, not even for one hour. In poor countries lacking systems of unemployment insurance and cash asistance allowances, the great majority of poor people cannot afford to be without income for as long as a week. So to the extent that the poor can quickly find a opportunity to earn some cash in an informal job, they take it. Open unemployment in their economies is low as a result. Because of easy entry into economic activities of such kinds, a different wage determination process from the standard marginal productivity rule must be found (*Fields, 2008*).

The choice approach to the informal sector has been developed more recently in a series of papers by William Maloney (2003). Maloney offers a number of reasons why workers might want to be in the informal sector: some can earn more (or at least hope to earn more) in informal self employment than they could earn in formal sector employment; they would rather use the money that formal sector protections cost them for investing in their own small informal enterprises; they do not value protections such as health insurance which formal employment offers to them, in some cases because they already these protections; and they don't trust the government to deliver on promises such as futer pension benefits.

For any or all of these reasons, there may be a sizeable numbers of workers who prefer informal self employment to formal wage employment. (*Fields, 2008*).

Other aspects of the labor market in developing economies that can be considered distinct features compared to labor markets in developed economies are lack of labor flexibility, greater disparity between rich and poor and income inequalities.

In the economic literature, "flexibility" is defined as the transition from inactivity or unemployment to the labour market or as a shift from one job to another. This definition usually referrs to the labour markets of advanced economics, whose way of functioning is rather precisely known and on which statistical data collected according to very well defined indicators are available. In poor economies, the use of the same indicators designed for industrialized countries does not entirely and always corectly reflect the actual situation of the labour market, because the transition from inactivity or unemployment to the labour market can be in the informal sector. Becouse of particular features on the labour markets of developing countries and of the lack of precise and sufficient statistical data, in these economies we mean "flexibility" the easy entry on the labour market and shift from one job to another (*De Gobbi, 2007*).

In our opinion the flexibility is referrs to the *labour mobility* (measured by the opportunity cost refers to income in urban areas, urban unemployment, urban rents, all reported earnings from the informal), *education and training of workers* (mostly in the informal economy workers working an unskilled or low skilled and are willing to accept lower wages) and *discrimination and social exclusion* of people on ethnic or other criterions (women, disabled, etc.).

Also, we observe a difference between the "labour market flexibility"and the "labour mobility". The labour market flexibility" includes the "labour mobility", which refers to changes in the location of workers both across physical space (geographic mobility) and across a set of jobs (occupational mobility). Occupational mobility can be lateral (within a broad class of jobs similar in socieoeconomic status) or vertical (from one job to a better or worse job). In developing countries, especially low income economies, resulting in rather high geographic mobility, the type of labour involved in those movements is characterized by low levels of skills both when it is agricultural labour in the case of rural rural migration and when it is labour in informal jobs as often happens in rural urban movements. There seems to be lateral occupational mobility, whereas vertical mobility tends to be low. Poor skills and almost non exiing skills upgrade mechanism are among the principal determinants of low vertical occupational mobility in poor countries. (*De Gobbi, 2007*).

Rural to urban migration (mobility) will be achieved as long as people want to migrate will consider (Harris Todaro model - 1970): a revenue expected to be won in the urban area (urban area pay, the probability of finding a job taking into account the area's unemployment rate); cost of opportunity, cost of urban life, transportation - making the poor not be very interested to migrate. Equilibrium is reached when an expected gain in the urban area is equal to earnings from traditional agriculture.

It is sometimes believed that labour markets are rudimentary in poor countries.

It is nevertheless possible to state the contrary, if different models are taken into account. Especially because of their prevailing informal nature, labour market in poor economies follow different rules and are characterized by different types of institutions or regulating entities which are worth being studies more in depth if sound employment policies are to be formulated (*Standing, 1999).*

Standing provide useful theoretical examples of labour in developing countries highlighting the prevailing flexible character of jobs.

Migratory labourers - they often move seasonally to do harvest labour in one place, construction labour in another, petty services in another and so on.

Labour circulants - they differ from migratory labourers in that they have a fixed point of residence, are likely to do different types of work when away than when at home, and may have more income security since they or their immediate family may combine small-scale peasant-type farming with seasonal or longer term wage labour.

Labour contract workers - their distinctive characteristic is that they are dependent on "middlemen" or "agents", who hire out workers to employers, often in labour gangs. There is often a bondage relation between sub-contractors and workers who are deployed whenever and whereever needed in an extreme form of flexibility.

Outworkers - they consist of those on standby for daily wage labour or piece work. they cover contract and casual labour.

Sub-contractors - often, these are rally indirect workers, concealed as such to avoid coverage by regulations or social security contributions, or to make an undertaking look smaller so as to fall beneath some regulatory threshold.

Employed labour reserves - to compensate for uncertain or fluctuating demand, absenteeism, sickness among workers or labour turnover, many firs in industrializing economies have operated with a labour reserve, retained on or around the premises but only paid when required to fill in for other workers. Perhaps paid a small retainer, they usually have to be available al almost any time.

The features of the Romanian labour market

Our country, like many other developing economies, has experienced the transition from centralized economy to a market economy with structural problems due to the changes which occurred in the economy.

These changes come from the measures that any economies in transition need to take in order to become a capitalist economy, namely the privatization of unprofitable state enterprises, liberalization of trade and financial markets by removing any barriers that hamper the free movement of goods, services and capital.

In Romania, as elsewhere in communist countries, the privatization has been made in haste without a regulatory framework in these areas and such a fact has led foreign companies which have entered the Romanian market to acquire a monopoly position, the local competition being almost nonexistent.

The liberalization of the capital account has been made prematurely, Romania not being ready to face the waves of speculative capital which has penetrated the market after the removal of any barriers which are in the way of the capital movements, and this has contributed to speculative bubble in the real estate area, whose bursting triggered actually the financial crisis.

On the other hand, the shock therapy applied repeatedly in our country in this transitional period, for balancing the budget deficit has only deepened the structural problems of the economy, creating a profound social inequalities and encouraging the development of the informal sector.

Thus, at this moment our country is facing major structural imbalances that affect the market for goods and services, financial market and labor market and prolong the crisis in which we find ourselves.

In our opinion, even from the statistical point of view, Romania will come out of depression during this year, registering a slight economic growth, but the crisis period still will continue, due to these structural imbalances.

Within the analysis we performed on a labor market in Romania, we identified a number of structural imbalances, most of which are common to many emerging economies, becoming a characteristic of the developing economies. These include:

Working in the informal sector. At this moment there are, in our country, an occupied population of approximately 9,500 thousand persons, of whom about only 4,500 thousand people are working in the formal economy, paying taxes to the state and social security budgets (at the end 2010 there were about 4.100 thousand employees and about 400 thousand self-employment - according to the statistical bulletin no. 4/2010 issued by NAFA). The remaining, up to 9.500 thousand people are working illegally (approximately 1,500 thousand persons), people working in subsistence agriculture (approximately 2.500 thousands) and family unpaid workers (about 1,000 thousand persons). This is the explanation of the budget deficits and social crisis in our country that are fueled by less than half the active population of the country.

Work in the subsistence agriculture. This segment of population in a number of about 1,700 thousand people is forced to work in subsistence economy due to inflexibility of workforce from rural areas, poverty and the fact that the Romanian economy, although it has huge agricultural potential, is unable to take advantage of this fact, becoming during the transition to the market economy a consumer of agro-food import products (70%). From these 2.500 thousands of people who work in subsistence agriculture there are a number of people who own agricultural certificate and pay a flat tax, but their number is not known.

Long-term unemployment. This structural imbalance of the labor market in Romania is determined mostly by the lack of labor flexibility and the discouragement to enter on the labor market because of issues related to fiscal policy, namely: the rate of taxation of labor and minimum wage, which discourages workers to enter the formal economy.

Poverty workers and uneven distribution of wealth. In Romania, the wealth is concentrated among a small group of people, most people standing at the threshold of poverty. There is a well-structured middle class and as thin as it was formed by the accumulation of debt.

The polarization of income distribution. Income inequality in Romania is Europe's largest, which is 7 in our country, compared with 3.5 as the average in the EU27. Inequality is calculated as a ratio of income earned by the top 20% of the population with the highest income and revenue over the last 20% lowest incomes.

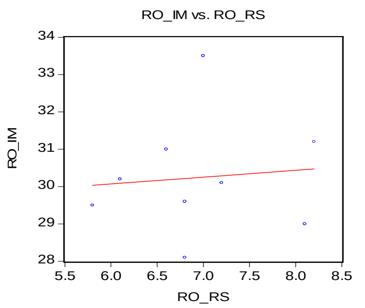
Conclusions

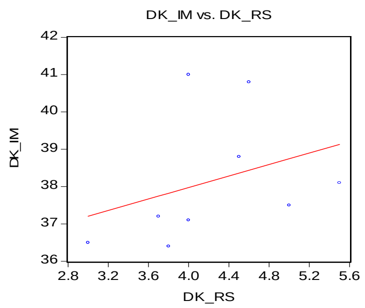
The analysis presented below relates to the relationship between unemployment and inflation rates, GDP and labor tax rate in period 2000 - 2008, in our country compared to Denmark, it can be noted that Romania does not comply inverse relationship between unemployment and GDP determined empirically by Okun (called Okun's Law), the inverse relationship between inflation and unemployment rates determined empirically by Philips (the Philips Curve), nor is there a direct relationship between unemployment rate Labour and taxation, unlike Denmark (taken as a counterexample, as a developed economy) where all three relationships are valid.

This finding indicates that in order to identify factors that influence the unemployment rate, one must consider the labor market's structural problems, namely flexibility. For this reason, the unemployment rate is not a very conclusive indicator in Romania to analyze the employment of the population.

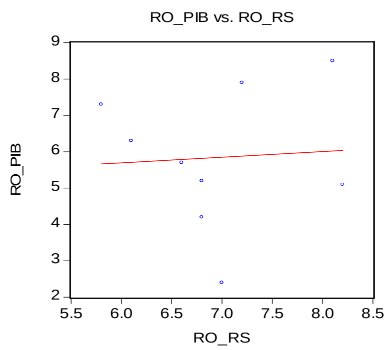
To calculate the level of employment in developing economies, to be taken into account in growth models (both in Solow's neoclassical model and endogenous in the Romer's) should we talk about the occupancy taxed activities, namely employment in the formal sector of the economy and not at all employment levels because dual systems (formal and informal) is emerging as the informal sector to occupy an important segment of the population (over 50% in emerging economies).

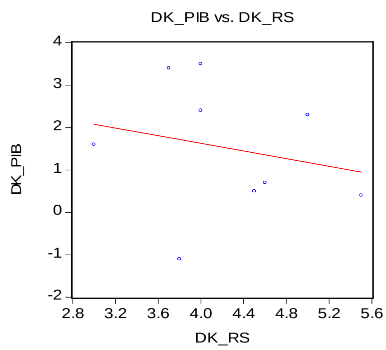
ROMANIA **DANEMARCA**



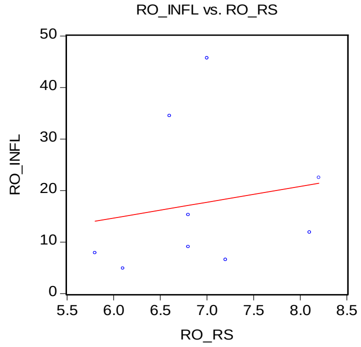


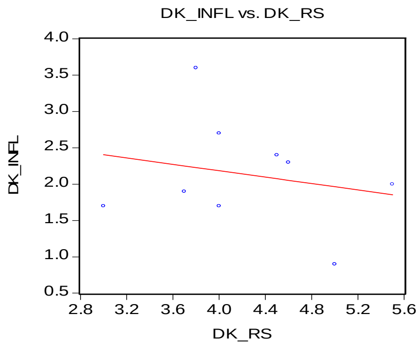
The relationship between unemployment rate and labor tax rate in the period 2000-2008.





The relationship between unemployment rate and GDP in the period 2000-2008.





The relationship between unemployment rate and inflation in the period 2000-

From the graphs above we see that in Romania does not verify any of those relationships, which means that cyclical factors (inflation and GDP) have not a significant impact on unemployment rate or on labor tax rate, in comparasion with Denmark, a developed economy, where all three relationships are examined.

This statistical fact indicates that the level of employment in Romania is influenced by other factors, especially structural nature, such as labor market flexibility, the level of poverty of workers, that lead them to prefer to work in subsistence agriculture and informal sector development, as a short term alternative for those who do not find a job in the formal sector. For this reason, the unemployment rate is an not conclusive indicator in Romania, for the analysis of employment.

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