

LONG TERM UNEMPLOYMENT AND LOW WAGE WORK IMPLICATIONS ON SECURITY AND DEVELOPMENT

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The very intense turmoil close to Romania's border generates a very complex process to take adequate decisions in all aspects of our society. If these decisions are not taken properly, many problems may arise. An important aspect is represented by the economic field where all goods and services are marketed based on supply and demand laws. If the market is not stable, a lot of other domains are influenced, such as the social one. The link between the economic and social domains is represented in this respect by unemployment and low wage work. Even in developed countries these two phenomena create big tensions which are exported to the entire world. This paper intends to emphasize the link among unemployment, low wage work and national security taking into consideration the challenges of economic globalization, deregulation and technological change.

Key words: *unemployment, low wage work, criminality, national security.*

1. INTRODUCTION

As many modern societies, Romania is facing permanent challenges in all domains: economic, political, social, cultural and environmental. Many of these are strongly related to several processes and factors, globally and/ or locally generated. Thus, as of 2008, Romania has been part of the big crisis that has put the entire world on the edge. In this respect, even if Romanian politicians were denying the crisis, it was obvious that nobody from this country had found the panacea to counter the cold wind blowing from the US financial crisis. It was only a matter of time for what nowadays is named as "the Great Recession" to fully impact Romanians' life. The very first hit was taken by the economic trend of the country. If the GDP growth in 2007 was 6% and in 2008 7.1%, in 2009 it suffered a tremendous decline, - 7.1% [1].

The political and economic factors mostly responded by cuts in labor costs, both in the state and private sectors, and by reducing the number of employees. The same strategy was adopted in other countries as well with the same impact: lower well-being among the communities, families and individuals, loss of human and social capital. The negative manifestations of crisis actually generate "social ties" with groups sharing the same values, social identity and status which are not consistent with the laws, regulations and norms promoted by the leading class and political decision makers. In order to respond to this challenge, the leading class of the country will be willing to implement strong

law enforcement measures and sometimes to distract the people from the real problems by presenting the foreign threat as a cause of their unhappiness.

2. SOCIAL CAPITAL

The study of labor, unemployment and its effects on the economy has been at the basis of economics since the times of Adam Smith. In economic theory, people and the work they perform in order to gain a living have been considered from a variety of points of view. One of the basic approaches is "labor" (the effort, experience and proficiency put into the work activity with the purpose of producing goods and services) as a factor of production, used, at the same time with other factors such as land, capital or more recently entrepreneurship, as inputs in the production process. Another approach designates people as "human resources", as another resource (besides financial, material, information resources) used as inputs in an organization's productive activity, and which is the result of the abilities, skills, knowledge, and expertise of a working individual.

Although widely used, these two terms do not fully outline a few of the main characteristics of the people as a factor of production. Just as the invested capital may provide returns under the proper circumstances, labor may also improve with training and experience, in a specific manner that is not characteristic to the other factors of production. But this may be achieved in specific circumstances, and the human resource may in some situations also

be subject to depreciation (as with any other factors of production). This may occur through loss of experience and skills through lack of use (unemployment, performing jobs in other areas of expertise – as one of the characteristics of the labor is its low mobility compared to other factors of production, performing jobs for which the individual is overqualified, lack of continuous adult education and training, etc).

In order to account for these issues, a more recent approach has linked the concept of labor with that of capital, refining the concept and coming closer to including into economic thinking the complex relationship between people and the result of their work, with the terms of human capital, and social capital. In this sense, the human capital is viewed as the measure of the economic value of an employee's education, skills, abilities and education, refining the research into labor economics in the sense that it focuses on the fact that labor is not homogenous, since there are real and measurable differences between the productivity of various individuals deriving from the time, effort and capital invested in acquiring, using and perfecting these skills and knowledge.

Another concept linked to the one of human capital that has relevance in the analysis of the effects of unemployment and low wages on the security and development of a country relates to the concept of social capital, which can be viewed at the level of a society or at individual level. At society level, social capital is defined as "the stock of trust, mutual understanding, shared values, and socially held knowledge that facilitates the social coordination of economic activity" [2], forming an essential foundation for economic development and national security. From an individual standpoint, social capital refers to "an attribute of an individual in a social context...which can be acquired through purposeful actions and be transformed into conventional economic gains... depending on the nature of the social obligations, connections, and networks, available to the individual" [3]. Francis Fukuyama has pointed out that "*social capital is what permits individuals to band together to defend their interests and organize to support collective needs; authoritarian governance, on the other hand, thrives on social atomization*" [4]. The same author disagrees that social capital is an absolute precondition to conduct successful and sustainable development. On the other hand, he admits that a strong rule of law and basic political institutions are necessary to build social capital. Fukuyama outlined that strong social capital is necessary for a strong democracy

and sustainable economic growth. He has also outlined the impact of political ramifications of familism and the deficit of trust toward outsiders on the economic domain. Based on this, similar to other types of capital, even the social capital is the subject of depreciation, consistent with "use it or lose it" principle. The causes of social capital depreciation are many and we may have a glimpse on them: declining wages; declining employment and reemployment; deterioration of skills and so on. There are many studies and articles using as a proxy the rate of unemployment for the rate of depreciation of social capital. Thus, politicians and political decision makers have to identify, recognize and formulate in clear cut terms the problem on managing the social capital and to build up appropriate policies in order to avoid social and economic unrest.

3. IMPLICATIONS OF LONG TERM UNEMPLOYMENT AND LOW WAGES ON SECURITY AND DEVELOPMENT

3.1. Long term unemployment

Unemployment is always present in a market economy, in various forms: classical, cyclical (Keynesian pattern and/ or model), frictional, structural, seasonal, hardcore or hidden unemployment. Regardless of the particular approach or the cause of unemployment, the effects it has on society are not beneficial, ranging from mild and transient to severe and persistent. One of the types of unemployment with severe consequences on society, especially when its rate is high, is long term unemployment, a component of structural unemployment, linked to an unemployment period of over one year, according to the European Union.

There are many studies and research papers which emphasize the social and economic outcomes of unemployment, especially when it comes to long term unemployment. More and more analysts try to reveal the intricate connections among unemployed status, personal skills (technical, economical, social, moral) and poor future outcomes. Some of the analysts and researchers are convinced that some kind of "selection" is undergoing on the labor market. Long term unemployment impacts family structure, children's well being, social network and everything related to the unemployed person's life. There are many effects of paternal unemployment such as: marital dissolution, residential relocation and shift in maternal time with children. Children, as the future of a nation, may face downward school performance, reduction in the probability to finish their studies and perhaps

the loss of educational opportunity for them as a second generation. The community is also affected by long term unemployment in terms of breakdowns in traditional family arrangements, an increased request for public assistance and proliferation of high crime. Thus, the higher the rate of long-term unemployment, the more persistent poverty in neighborhoods becomes [5].

Long term unemployment incurs costs. Many analysts and researchers link the phenomenon with long-run losses of wages leading to the loss of future income and thus directly impacting well-being. As many studies revealed, an unemployed person is more likely to seek retirement from the labor force even if upon contract termination separation costs or reparatory payments may or not be made. These persons may become discouraged by the unemployment phenomena to further seek employment opportunities and hence may try to exit from active life on disability pensions. That means that many of them will not try to reenter the labor force because of their status of disabled persons. This disability may lead to a medical disorder or to a deterioration of skills. Some studies [6] have linked this process to increasingly physical and mental risks to the unemployed persons.

3.2. Low wages

There are many ways to define low wage and/ or low wage worker. Mainly, there are two approaches emphasizing the definition of the low wage worker [7]: those whose hourly wages are below a cutoff value, where cutoff value represents the minimum wage regulated by national laws; those whose hourly wages are in the bottom percentiles of the wage distribution, with the differentiation between relative wage and absolute wage. Many recent datasets reflects that the pay threshold has been defined as less than two thirds of the national median of gross hourly wages, as OECD has shown in its documents.

Many studies and researches on the phenomena of low wage and low wage workers emphasize the complexity of the process in which the workers are paid according to their work, education, skills and labor market in general. No clear cut conclusions are drawn because of the sensitivity of the subject. But the facts outline an interesting conclusion: no matter the economic development of a country, low wage represents a huge burden in the nation overall picture.

Table 1 presents the incidence of low pay in some countries which show huge differences in this respect without any connection with their level of development.

Table 1. Incidence of low pay in selected countries

Source: <http://stats.oecd.org/Index.aspx?DatasetCode=MIN2AVE#> *<http://www.statistiques.public.lu/catalogue-publications/economie-statistiques/2013/66-2013.pdf>

Country	Incidents of low payment (%) (2012)
Austria	16.07
Belgium	6.00
Czech Republic	19.68
Finland	8.91
Germany	18.29
Greece	11.77
Hungary	17.39
Latvia *	28.00
Lithuania *	27.00
Romania *	26.00
Spain	14.57
United Kingdom	20.45
United States	25.29

As shown in Table 1 countries with high levels of GDP per capita are not associated with a small share of low incidents of low payment. These facts indicate that other factors are influencing the phenomena of low wages and not the achievement or high economic performances.

Another finding of researchers and analysts is related to the correlation between the share of GDP devoted to public social expenditures and shares of low wage employment [8]. If social expenditures are generous, the probability to reduce low pay increases by forcing employers to raise wages to compete with social benefits. Low wage is also associated with other effects, such as erosion of a worker's accumulated skills. In many countries a person has to invest less or more money to be up to date in a specific branch and/ or to be more adaptive to the change in labor market. Another effect is the signal delivered to the employers that a low wage worker does not have the same productivity as a high paid worker. As a result, the probability for the first one to go up on the pay scale is diminished.

To make things more complex, low wage is more and more linked with globalization. Most of the entrepreneurs are seeking to downsize the cost of production and this process can be done by relocating the entire production or part of it to countries or regions where conditions are more favorable.

For example, for certain jobs to be done, an entrepreneur will try to find minimum cost for production factors, including the labor cost. There are many examples of large companies which even threaten governments and nations in order to obtain wages as low as possible, otherwise they leave the country and unemployment rockets to the sky.

3.3. Implications on security and development

Security and development are two concepts strongly related and both have to be carefully sustained and harmonized given their complementarity and intrinsic values. They are also tightly related with the economic, social, political, environmental and cultural domains which complete the picture of a nation or an international community. Referring to only one or a group of these in order to find correlations among long term unemployment, low wages, security and development is a difficult endeavor.

More and more studies link the decrease in the social or human capital with the increasing risks to the security and development. Many countries face an undesired process of deterioration of their well-being: changes on the market are generating changes on the labor market, leading to changes for the worse in employees' status. If the latter receive less money or they even become unemployed, less money is used for consumption, education and health. Concurrently, economically and socially speaking, frustration and unhappiness will breed within families and communities and that is not far from generating unrests, riots and even worse, conflicts at a bigger scale.

For example, Greece still has a high crime rate and that is related to the austerity measures applied for too long. There are studies which outline the permanent civil unrest because of politicians' inability to implement strong and durable policies in order to create the well-being for its citizens [9]. After the Great Recession, Greece was close to a shutdown of most of its institutions, the external and internal debt sky rocketed and that generated big concerns over whether the country is capable to survive. At a closer look, for regular Greek people this ongoing Great Recession is about cutting their salaries, pensions, other benefits, increasing unemployment, reducing the access to a certain level of education and health services. These effects have come into effect globally, but the Greece example is probably the best case study. The impact of the crisis was not only inside the country, but also was exported

to the European Union and even into NATO, with the likelihood for Greece to exit from the Euro zone and the vulnerabilities of its defense becoming a matter of international concern.

4. CONCLUSIONS

The intricate connections among long term unemployment, low wage workers, security and development are difficult to be modeled. What is for sure is that a person in the situation of losing his/ her job will definitely change mentally and physically and that will affect families, children and communities. If the process of losing jobs is largely spread in time and space, the effects are tremendous and will affect generations from the education and general income point of view. In the absence of perspectives, many of the people affected by the plague of unemployment, will try to find other ways to survive: stealing, looting, joining crim groups. Policymakers have to be more concerned about developing long time plans for rapidly reducing long term unemployment and the number of low wage workers. Creating the opportunity for each individual to have a fairly paid job will give the opportunity to the entire community to reduce the burden of the social benefits and high level of crime. At the same time, that will create the opportunity for the sustainable development of nations in all domains.

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