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WORLD ECONOMIC RECESSION VS. LABOUR MARKET GLOBALIZATION

Стаття присвячена оцінці впливу глобалізації і світової кризи на розвиток польської економіки. Визначено тенденції розвитку ринку праці в країнах Європейської спільноти. Проаналізовано роль держави у регулюванні процесів економічної взаємодії. Розглянуто моделі глобалізації на основі утворення регіональних об'єднань. Запропоновано рекомендації для адаптації польського ринку праці до нових економічних умов.

The paper is dealt with evaluation of labour market globalization and global economic recession impacts on Polish economic growth. Trends of labour market changes in EU countries are determined. The role of the government in regulation of economic interactions processes is analyzed. The paper also considers models of globalization on the basis of developing regional systems. Some guidelines are proposed to adapt Polish labour market to new economic conditions.

The labour market is an area a series of interdisciplinary factors interact. Its specificity is strengthened by uniqueness of subjects which are present in this market. Human resources, people in an economically productive age who are able and ready to start work on typical conditions occurring in the economy – professionally active people are analysed from many perspectives as well as in numerous contexts. Phenomena of supply and demand for the labour force in the labour markets are subject to reflections of economics, sociology, psychology and many other sciences which deal with this complex matter. At present, additionally attention is drawn to a new cognitive challenge in the labour market. Globalization is the name of this challenge. This paper is to cast light on the notion of labour market globalization, opportunities and threats related, developing a new structure of subjects of the labour market as well as to show interdependency between globalization and the labour market in view of the world economic recession.

It is not easy to answer the question of what globalization is. There are many concepts concerning defining this process. Generally, globalization is considered to lead to unification of the world as such, mutually connected economic elements and common culture. It touches almost all fields of life beginning with the way we dress, the way we spend free time, the way we eat, the bearing through cultural development finishing with political, economic issues. Globalization signs are reflected in social change processes happening on the large scale leading to establishing mutual bonds and interdependencies between different parts of the world. Antony Giddens, a distinguished contemporary British sociologist when characterizing globalization said that „more often and to a larger extent we are living in one world which means that individuals, groups and nations are more strongly dependent on each other”. Grzegorz Kołodko in his intriguing work entitled „Wandering world” gave the following definition of globalization „Globalization is a movement towards limiting and lifting natural, physical barriers which results in fewer things “over hill, over dale” and more things within arm’s reach. Technical progress plays a special role here. It is not sufficient, unless a second condition is fulfilled – lifting political barriers created by Man. Thus globalization is a historical and spontaneous process of liberalization and accompanying integration, so far being apart and loosely connected with markets of goods, capital and delayed and to a lesser extent – labour force, technology and information into one interdependent world market. Three words are crucial here: liberalization, integration and interdependency and additionally two words are important: historical and

spontaneous". We can add words of the Nobel Prize winner in economy in 2001 Joseph E. Stiglitz who stated that globalization 'is a tighter integration of countries in the world caused by a large reduction of transport and telecommunication costs as well as lifting artificial barriers in the flow of goods, services, capital, knowledge and to a lesser extent people moving from a country to a country. Globalization was accompanied by creation of new institutions which next to existing ones began business activities crossing borders of countries". Thus 'globalization is understood to be a growing interdependency of societies and places resulting from progress in transport, communication and information technologies which cause a political, economic and cultural convergence. It enhances an ability of nations and people to exert a mutual influence on each other leading to disappearance of a problem of distance in mutual relations. Globalization is a growing world integration happening through commerce, financial streams and knowledge. Globalization narrowly examined means convergence of prices, products and wages, interest rates and profits. From an economic point of view globalization can be defined as a process of creating a unified market of goods, services and production factors comprising all countries in the world. An extent to which economy is subject to globalization depends on the scale of movement of people in both directions, intensity of international commerce, an increase in capital flows as well as development of financial markets integration. System convergence becomes a natural consequence of the globalization process'. When characterizing the globalization process we can differentiate levels of its counteraction. In this approach it is important to differentiate globalization of economy, globalization of markets and sectors. Markets and sectors constitute two sides of an economic system of exchange. Sectors secure supply, markets secure demand. Each of these forms has different consequences for different aspects of operation strategies of subjects. It is important to understand connections between global sectors and markets as characteristics of a sector and a market will have an influence on the specificity of a global and transnational strategy. When serving global markets, a company has to be sensitive to similarities and differences in consumers' needs as well as increasing complexity of customers' demands. A global sector can serve fragmented markets by offering products and services adjusted to local requirements. However in most cases global sectors serve markets which by themselves are becoming more global.

While having an impact on the employment area, globalization influences a series of transformations on the world's and macroeconomic scale, as well as in reference to organizations and management of individual market units. It also causes many changes to individuals. Taking into account the afore mentioned positive and negative aspects of economy becoming worldwide, one may look at globalization from the point of view of opportunities and threats, possibilities and dangers or economic recessions as well as ways of handling them using globalization mechanisms. As U. Beck, a German sociologist aptly put it that a contemporary globalized society became 'the society of risk'. Referring to this concept one can notice that globalization influences the lack of employment security causing a feeling of living under circumstances of risk related to social security on the individual level or on the communities' level. Transformations happening in the global labour market force verification of a notion of security in the employment area. "Security in today's labour market is not an issue of keeping a job for life (...) security is connected with building and maintaining people's abilities to earn a living and develop a labour market. It is related to a fair pay, as access to life long learning, working conditions, protection against discrimination or unfair dismissal, support in case of losing a job and the right to keep social titles when changing a job.

U. Beck's words may be recognised as prophetic referring to events happening in the world economy in 2008 and beginning of a global recession. 2008 will be remembered for a long time as a period of a world economic recession which in the opinion of many analysts became as

dramatic as the recession of 20s and 30s of 19th century. It is rooted in the area of finances, banking as well as less important psychological and ethical factors including an essential role of irresponsible media. This recession influences units operating in the global labour market both in terms of supply and demand for work. Most clearly consequences of the recession can be observed in forecasts concerning the unemployment rate in 2009 (see figure 1).

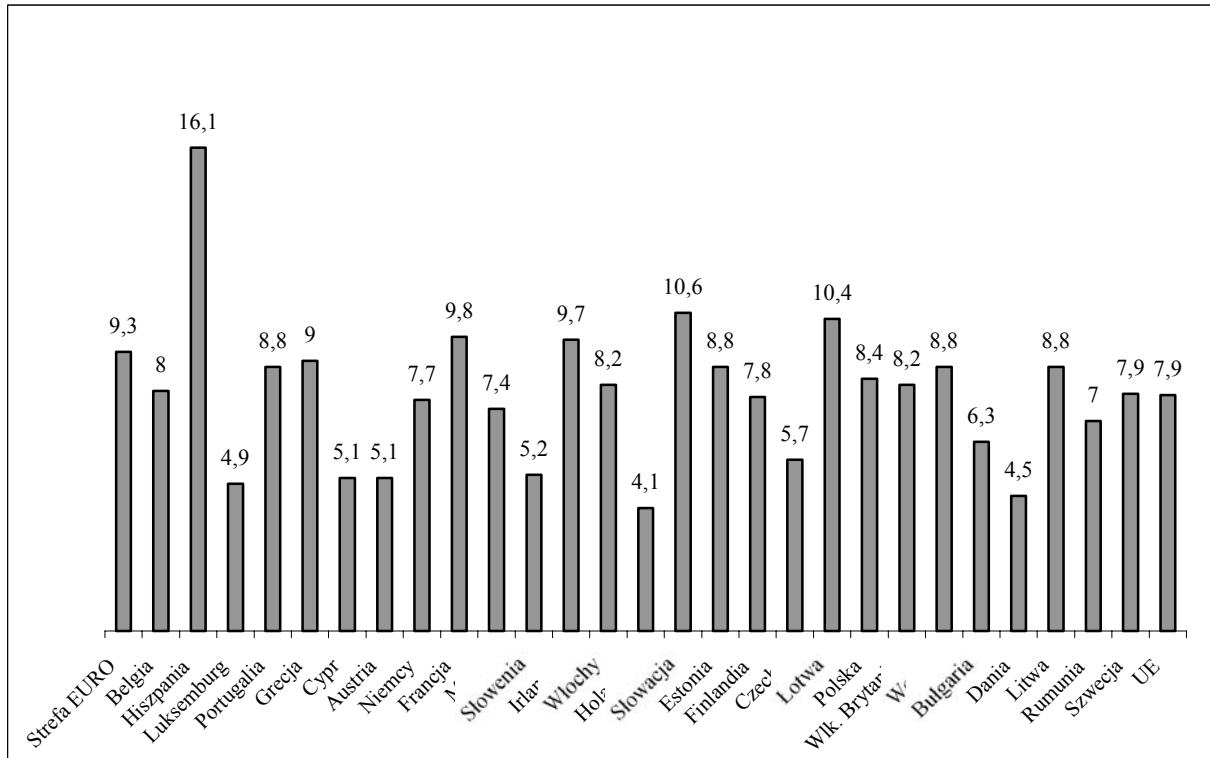


Figure 1. Forecast level of unemployment rate at the end of 2009

Source; European Commission

According to analysts of the European Commission the impact of the world recession is strongly felt by EU labour markets. The forecast end 2008 unemployment level showed an increase of the number of the unemployed in the entire EU by 3.5 ml which was caused by the economic recession at the level -1.8% . Similar processes will be observed in other regions of the world. In view of these events many economists even announce ‘the end of capitalism’ in the present form. When characterizing this process one may refer to P. Petklin’s analysis. He has noticed that as despotisms, dictatorships, feudal systems or communism collapsed similarly liberal capitalism rooted in democracy is coming to an end. The end has already been mentioned by Joseph E. Stiglitz, Jeffrey Sachs or the creator of World Systems Theory Immanuel Wallerstein. I. Wallerstein thinks that we are observing from the inside the end of well known capitalism transforming into a new, fairer social form. What is more, for the last 500 years the policy of the western world has been based on winning new areas in order to find new employees and raw materials and new markets. In the beginning of 21st century possibilities of expansion finished and poor, peripheral countries began to demand an equal access to benefits from the commercial exchange and a fair distribution of resources. Rich countries from the North, especially the United States opposed trying to maintain the position of a hegemonic leader which may cause more intense conflicts. The end of capitalism is to result not from a revolution but from objective changes consisting in decreasing a pool of cheap labour force living in

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agricultural areas, democratizing life so that workers will expect a fair pay and security for the old age, access to the health care and education for children, a crisis of the state and a growth of anti-state tendencies which may endanger monopolies and the environment pollution. According to I. Wallerstein, 16th century which spanned from 1450 to 1650 was crucial to the contemporary world system. That period decided about the shape of the contemporary world and first of all about a victory of the current form of capitalism, domination of European cultures including business culture as well as location of centres and peripheries. I. Wallerstein started from a 20th century discussion about the creation of capitalism in Europe. Two views clashed according to which external factors had a decisive importance to the current situation – first of all production factors or globalization of the world and a necessity of evaluation of economic development through the eyes of entire economy based on the flow of goods and services. In I. Wallerstein's world systems economic structures are based on the flow of production means, crossing national borders and joining it together. Based on them central areas are created which gain more due to unequal exchange as well as peripheral areas which export the labour force and raw materials. In the world system economic cycles occur which painfully affect economies. In favourable circumstances an economically dominant country gains a hegemonic position which is a guarantor and a stabilizer of an international economic order. The hegemonic leader is interested in promoting a free market and open borders thank to which he maximizes his profits. According to some economists and politicians the capitalist hegemony turned out very dangerous. A financial crisis in USA turned out to be not only a financial crisis but an economic recession and which is most important a recession affecting the entire world. Comments are made that capitalism can survive only on condition that it will be controlled by the state. The role of the state is to change from a guardian of an economic system into a scrupulous controller and a participant of economic events. First symptoms of such a strong presence of the state in the economy have been forced by financial institutions which so far voted in favour of entire economic freedom. Big banks' requests for support from particular governments and central banks as well as some countries' decisions on taking over a controlling interest in financial institutions may signify a first subtle change to the old system controlling the economic world. It turned out that the confidence in self-control of a global free market could be mistaken and has led to current difficulties and an economic slow down on the global scale comparable to the one from 1929. The recession of the first decade of 21st century will most painfully affect countries which had no great chances of existing in the global economy based on free market principles. International commerce could equalize differences in economies of the South and the North. However a question arises whether World Trade Organization and OECD should go for a full liberalization of international markets or should look for forms of controlling this market. According to Stiglitz it is necessary to analyze principles of managing international trade once again. First of all whether the poor South is not prepared for the market struggle for its position. He also thinks that, true or not, developing countries could gain more for themselves and that many of their problems are only marginally connected to limited access to foreign markets but this is not a justification for the system of international trade which is making life difficult for developing countries. In J. Stiglitz's words there are also doubts whether capitalism in its pure form is not an unfair system. A regulated form of a free market could be a better solution and would secure the world with a possibility of avoiding such a big recession. In accordance with a suggestion made by J. Stiglitz the richest countries would open their markets for poorer countries and these in turn would do the same for less developed countries. The conclusion is that capitalism would have to be controlled by international restrictions which would question the notion of the free market.

Neoliberalism favouring internal regulations, the strongest states policy aiming at increasing their wealth, barriers in international trade has collapsed. The world economy will have to find a new political and economic form even if the farewell to capitalism is painful as for the last 30 years words like 'free market' and 'good' were identical. The thing is not only in the approach to international trade but also in the look at the inside of particular economies where the former financial system seemed perfect and the only one. That is why most governments avoided reforming or introducing innovations in the financial sector. Under circumstances of a global recession it is necessary to test other forms of a financial system, new principles of functioning, rebuilding the entire finances structure, previously independent though in view of markets' collapse asking for the state's intervention. We can also claim that similar tendencies have to appear in the global labour market..

The problem which has been signalled by this paper, namely the influence of globalization on the labour market and units functioning there also has an immense importance to the Polish economy. We can refer to M. Książek who summing up his deliberations concerning the influence of globalization on the labour market including Poland draws the following conclusions:

1. A growing globalization process results in problems difficult to solve such as difficulties in the labour market. The way it has been carried out so far, according to many leading economists, does not help poor countries and requires changes. J. Stiglitz's statement is significant here 'I have seen with my own eyes how destructive the influence of globalization can be for developing countries, especially for the poorest ones. I am convinced that globalization – lifting barriers hindering the free trade and a tighter economic integration on the international scale- can be a force enhancing the good and potentially it may improve the situation of all people in the world, the poor in particular. I also think that if we want it to happen, we should think over thoroughly the way it is carrier out'.

2. Poland's passive attitude to globalization processes during economic transformations as well as ignoring the creation of the national capital leads to high unemployment, lowering the lifestyle of inhabitants and increasing poverty.

3. In order to limit a risk of increasing unemployment investments in human capital and in creating new job are necessary. Bank loans and undistributed profits of companies should be a basic source of investments.

Following other EU countries Poland should use a system of investment incentives as well as tax burdens on equal basis for national and foreign investors in order to create new jobs.

4. Poland should attach significance to multiplying the national capital and allocating it in Poland in order to create new jobs. Similarly to other countries of market economy, Poland should finance from the state budget future incomes as at present a mere market process is not able to solve the problem of unemployment. It is happening in all countries with free economy also in the States which are a socio-capitalist country the same as the EU countries.

5. As EU countries do not have one programme concerning the employment and counteracting unemployment policy Poland also has to solve these problems by means of its own, appropriate programmes creating new jobs. When preparing and implementing such programmes one has to remember that at present in the EU countries the problem of unemployment is not left to be solved solely by the market.

When looking for the answer to the question: how and which direction the globalization process will go, what consequences for economic systems it will bring on the global and regional scale, or for such countries like Poland both in terms of the entire country or a labour market we can refer to Grzegorz Kołodkos thoughts. He claims that integration processes may proceed according to three options: 1) a mere antidote to globalization assuming that it cannot be

avoided but it can be weakened and slowed down, accelerate and strengthen regional systems. 2) an alternative to globalization assuming that globalization must be blocked in order to strengthen the position of countries grouped regionally. 3) a vehicle to further globalization treating regional integration processes as a comparatively safe and comfortable way of continuing globalization which will proceed more reasonably this way gradually limiting the scope of global irrationality. It requires a more coordinated control of economic processes on the world scale. In this option however we cannot talk about a 'transnational' scale but 'transregional'. There will be more subjects which will have to coordinate their decisions and actions thus efficiency should be greater. Is this economic event of the beginning of 21st century, a global recession, the first big one on the global scale affecting all world countries the beginning of transformations which will change principles of functioning of societies and economies and principles of functioning of subjects in the global labour market?

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