

THE TRANSFORMATION OF THE LABOR MARKET IN GLOBAL TRENDS



Economics

Keywords: Globalization, labor market, international markets, migration, poverty, competitiveness of European Union markets, global development of developing country economies, etc.

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Abstract

The concept of globalization has attracted the attention of many researchers, academics, politicians, and social activists in the world. The term “globalization” has become the most frequently used in both official and unofficial international discussions regarding the interdependence of economies and nations. Globalization has evolved. Globalization has begun to be important since the end of the Cold War and has accelerated the rapid liberalization of developing economies. The process of globalization significantly impacts the labor market by advancing production techniques and information technologies. At the same time, globalization has been the subject of many controversies; it has often been considered a cause of problems, especially in less developed countries where the consequences are even more sensitive. The purpose of this study is to analyze the effects of globalization determined in the labor market, the integration of economic activities, mainly through markets, on economic and global sustainability, and competition throughout the globe. Globalization has opened up new opportunities for broad-based development around the world. However, this is not happening evenly, as some regions are integrating into the global economy faster than others, with evidence of rapid growth and reduced poverty.

1. INTRODUCTION

The labor market is a set of relationships that arise between employers represented by the state or private entities and employees, according to the labor legislation in force and international conventions. In an economy, the market represents the set of measures that allow or facilitate the exchange between buyers and sellers, i.e., all factors of production are traded on the market. The labor market holds significant importance in the economy. The labor market, as for any other market, normally also presupposes the confrontation of demand and supply for labor and the achievement of equilibrium in the main indicators of the economy. Labor is a commodity when sold, but unlike goods and services, it isn't just about price. Each commodity has its values and benefits. Consequently, labor markets differ between developed and developing countries, as well as by gender and other dimensions. The labor market is paradoxical in that it is often set up to treat work as a commodity when in fact it is a skill that people possess. Therefore, the social nature of the labor market gives it special characteristics, which require regulation and monitoring. Markets that buy and sell labor exhibit several unique features that set them apart from markets for goods and services. The last twenty years of economic growth, known as the era of globalization, have been a period of significant increases in the quality of life for many people around the world.

The process of globalization is mainly about restructuring the labor market to make it function on more uniform principles. However, attempts are underway to regulate it using alternative approaches. The results are varied—some countries have developed dynamically,

others are sinking deeper into poverty, and others are even facing difficulties and improving their place in the rankings of international competition and in the international division of labor. As a result of globalization, time and space have shrunk and many "borders" have disappeared, increasing the interdependence of economies, cultures, and people around the world.

The definition of the market today is a very broad concept; there are different definitions. According to T. Karpat, the notion of market means, "The market is a certain social and cultural phenomenon of life, in which the level of productive forces, social organization, and the degree of freedom of the individual producer and the final consumer are presented." ¹

Markets where the labor factor is sold and bought are characterized by some special features that distinguish them significantly from the markets for goods and services. Labor market transactions differ from goods and services market transactions. People widely use the concept of the labor market in their daily lives. But what is it really?

The labor market is a real or virtual meeting point, within an economy or market, where people who sell their labor (employees) negotiate and reach agreements with those who buy it (employers).

The labor market is the place where employers and job seekers meet. Employers are companies that form the demand in the labor market when they need labor, and employees are those people who are otherwise called the labor force, in which they form the supply in the labor market; they are people who are actively looking for work.

The market is very complex, and to study it, we must know well the characteristics and trends of its variables, which are demand and supply. On the other hand, we have inflation, which is one of the indicators in labor markets that show the general increase in the monetary supply (money) in a given economy in certain periods.

We divide the market into two groups: the public labor market and the private labor market. The labor market differs from other markets in its characteristics. In economic markets, it is possible to assign a counter value to goods or services; however, in the labor market, this is not feasible for several reasons.

- People in their workplace behave socially, which means that the simple law of exchange does not apply to them and that the labor power they provide is valued at a counter value, where not only the fulfillment of material needs but also social ones (desires, gratitude, etc.) play a role.

- The mobility of the labor force is limited, and each of their movements brings with it expenses and changes in their social (family) life.

- The motivation of the labor force depends on the social circumstances in the workplace, which is reflected in the sources of employment in the national and international market.

There are several characteristics that distinguish the labor market from other markets. These differences have a significant impact both in the theoretical aspect of the study of markets and in the practical aspect of the functioning of the labor market, which differs greatly from other markets: product and commodity markets, capital markets, stock markets, money markets, currencies, etc. The most pronounced characteristics of the labor market in global trends are:

1. The individual, who is its seller, embodies and personifies work.
2. The nature of reciprocal connections at work is long-term.
3. Heterogeneity of workers and jobs
4. Diversity of labor markets.

a) The individual, the seller, embodies and personifies work

In the labor market, unlike goods products, the advantage is not the price itself (salary level) but also a series of non-monetary factors, such as the physical work environment, working conditions, work hazards, etc., and partly social factors, such as the prestige of the job, gender, race of the employee, the attitude of managers, etc.

b) The nature of mutual relationships at work is long-term.

From various analyses and daily practices, it results that it is in the interest of both parties for long-term mutual relationships, because workers' salaries and other material benefits increase the more they stay in a firm (training, promotion, various advancements, expenses in the training of workers, training and retraining as a result of changes in the market, mutual relations, etc.). A form of long-term relationship was implemented in the distant past, known in the labor market as the philosophy of Confucianism, where most employees retire in the firm where they were employed—a phenomenon that has resulted in enormous success.

c) Heterogeneity of workers and jobs

In the labor market, the degree of differentiation in the characteristics of jobs and workers is much higher than in the goods market. Individuals differ greatly in age, race, gender, mental abilities, technical and professional skills, and many other characteristics that are also ascertained through interviews with potential employers for employment. Jobs also differ in type, degree of difficulty, type of qualification, complexity, work environment, working conditions, distance from residence, and salary level.

d) Diversity of labor markets

A defining feature of global markets is their diversity, as there is a growing trend toward narrow specialization for each job. This tendency to specialize even more specifically in fields such as medicine and informatics leads to the emergence of increasingly specific roles (e.g.,

teacher, waiter, doctor, banker, professor, bricklayer, and financier), which has become a necessity and imperative in today's world.

Globalization is primarily an economic process of interaction and integration related to social and cultural aspects. However, international disputes and diplomacy are also large parts of the history of globalization and modern globalization.

Globalization encompasses the economic resources of capital, data, technology, goods, and services. The expansion of global markets liberalizes economic activities, such as exchanging goods and funds. The removal of cross-border trade barriers has made the formation of global markets more feasible. Advances in transportation, such as steam locomotives, steamships, steam engines, and container ships, and developments in telecommunications infrastructure, such as the telegraph, the Internet, mobile phones, and smartphones, have been major factors in globalization and have generated further economic interdependence and cultural activities around the globe. Although many scholars place the origins of globalization in modern times, others trace its history long before the European Age of Discovery and voyages to the New World, and some even as far back as the 3rd millennium BC. Large-scale globalization began in the 1820s and, in the late 19th and early 20th centuries, caused a rapid expansion in the interconnectedness of the world's economies and cultures.

MIGRATION AND POVERTY IN GLOBAL FLOWS

Migration (Latin: *migratio*: movement) is any change of residence for individuals or large or small groups of people. Migration is a complex phenomenon, where “macro,” “meso,” and “micro” factors act together to influence the final individual decision to move within or across the country. Among the “macro factors,” political, demographic, socio-economic, and environmental situations are the basic determinants of migration. These are the main drivers of international and internal migration, as well as legal and illegal migration, and they are largely beyond the control of individuals. Among the “meso factors,” communication technology, land as a resource for economic survival, and ties to the Diaspora play an important role. However, “micro-factors,” such as education, religion, marital status, and personal attitude towards migration, play a key role in making the final individual decision on migration.

Social networks attract individuals from their countries of origin by raising awareness of living conditions in wealthier nations, although these representations often do not reflect reality; meanwhile, connections to the Diaspora serve as a significant pull factor.

The reasons for legitimate external and internal migration movements in North Macedonia are numerous and very complex. Macro, meso, and micro factors equally influence the change in their intensity and the structural features of migrants. Although certain changes in fundamental determinants have occurred in the last decade (2009-2019), the root causes of migration movements remain largely the same. All research on external and internal migration confirms that the root causes of both types of migration movements are consistent.

Based on a survey conducted by the State Statistical Office, we can see some of the reasons why Macedonian citizens leave the country for places where they can be offered a better and more qualitative lifestyle (EU, USA, etc.).

Reasons for migration of citizens of the Republic of Macedonia

Years	Employment	Marital ties	Family issues	Education
2010	20.8%	8.3%	32.5%	3.3%
2015	10.8%	7.0%	34.3%	2.3%
2019	23.7%	4.9%	22.7%	1.8%

Source; *Mp-North-Macedonia-Al, pdf*

The global market has created a sharp increase in job instability and wage inequality as well as a significant decrease in social spending and public consumption, creating depressive effects in those countries with low capital mobility. In pre-industrial countries, the total output of goods and services, despite being equally distributed, was still insufficient to provide the population with a comfortable standard of living. In contrast, during the industrialization period, economic productivity ensured that national production was sufficient to elevate the entire population to a higher standard of living. The transition from an industrial society to an information society brings a series of important changes in the labor market. New flexible forms of employment lead to a reduction in labor costs and the cost of capital and increased labor mobility. The loss of job security for workers, coupled with the elasticity of labor markets, leads to economic insecurity, frustration, and various social tensions. Despite repeated promises to reduce poverty in the last decade of the twentieth century, in fact the number of people living in poverty has increased by 100 million, and the rise happened at a time when total world incomes have grown by an average of 2.5% per year. Investment in human capital is needed to reduce unemployment. The United Nations defines poverty as follows:

“Poverty goes beyond the lack of income and resources to guarantee a sustainable livelihood. Its manifestations include hunger and malnutrition, limited access to education and other basic services, discrimination and social exclusion, and lack of participation in decision-making.” About two-thirds of the population lives on 10 USD per day, and the remainder represents the world's middle class, but the fact is that every tenth person in the world lives in extreme poverty, that is, on 1.90 USD per day. -2020. We have set the new international poverty line at 2.15 USD per day per person, based on 2017 prices. This threshold means that every person living on less than 2.15 USD per day is considered to be in extreme poverty, and in 2019, 648 million people lived like this. In 2020, the World Bank and the Brookings Institution released the following data: 10% of the world's population lives in extreme poverty, and 70% of the poorest people in the world live in Africa, while 79% of the world's poor live in rural areas. Such a distinct phenomenon as poverty that has gripped the entire world today cannot fail to affect the Republic of North Macedonia. The RMV is alarmed by the mass exodus of young workers to the West for

better living conditions. The main problems from some given options that make the situation of the people difficult and increase poverty in the country are lack of jobs, low economic development, and low wage levels.

Other problems that respondents have also assessed are youth emigration, lack of foreign investment, inappropriate social policies, and emigration of professional staff.

If we take the three main problems considered by respondents as the biggest, it can be said that what definitely needs to be done is to achieve the highest possible increase in the employment rate. The European Commission's report for 2019 reports that in 2018 the unemployment rate was 20.7%, and this is also related to the fact that in 2017 the poverty gap was 37.3%. In 2017, approximately one-third of citizens in Macedonia were poor. Calculations show that 30.4 percent of the population is living below the poverty level. The population in North Macedonia is over 2 million, which means that 600,000 people are currently living in poverty. In 2015, the poverty rate was 13.5 percent, which means that it has more than doubled in two years.

According to the UNDP Human Development Report 2019, the Multidimensional Poverty Index (MPI) has identified the prevalence of several deprivations in three dimensions: health, education, and standard of living. For the RMV, this index shows the extent of deprivation at 37.7%.

UNDERSTANDING THE FUTURE OF THE LABOR MARKET IN GLOBAL TRENDS IS CHALLENGING

Understanding the future of work is difficult, if not impossible. The McCarthy Foundation predicts that 65 percent of today's students will find employment in jobs that do not yet exist. As technology, globalization, and many other factors continue to redefine work, there is a constant need for soft skills, or "life skills."

Online mentoring, brainstorming, and collaboration are familiar to today's working professionals, but we can't assume they come naturally, especially to the millions of students who lack access to proper training and career planning advice networks. In fact, a growing global skills gap suggests that many young workers are already falling behind. More than 63 percent of recent graduates, for instance, "lack the skills the job market demands," according to a recent study conducted in East Africa.

This trend is already threatening traditionally stable economies. This skills gap is extremely costly. Experts estimate that the skills gap in China costs the economy \$250 billion annually. The annual cost in the United States is \$160 billion. In the UK and Australia, the skills gap costs governments \$29 billion and \$6 billion a year, respectively. When jobs go unfilled for too long, they are more likely to go permanently to countries with a cheap labor force or a pool of talented and better-suited people. This trend is already threatening traditionally stable economies.

According to some estimates, by 2020, as many as 23 million workers in developed countries will not have the right skills to be employed for a meaningful career. Meanwhile, the myth that soft skills are innate—and that only technical skills can be learned—continues to fuel the skills gap.

The future of the job market will see companies increasingly looking for people with skills in cross-cultural thinking, cross-cultural communication, and global team management. The ability to understand and appreciate cultural differences will become a competitive advantage for those seeking career opportunities in an increasingly interconnected world.

CONTINUOUS LEARNING

In this rapidly changing scenario, continuous learning becomes essential. Individuals must be willing to invest time and energy in acquiring new skills and updating existing ones. This dilemma affects not only young people entering the world of work but also experienced employees. Therefore, organizations are increasingly promoting a culture of continuous learning by providing training and development opportunities for their employees.

SOFT SKILLS

In addition to technical skills, so-called "soft skills" are increasingly gaining importance. These skills include effective communication, critical thinking, problem-solving, time management, creativity, empathy, and sensitivity. These are skills that cannot be easily automated and will remain crucial in the future of work.

Soft skills are critical for effective leadership, collaboration, and managing complex challenges. Success in the world and the job market will increasingly depend on the combination of technical skills with soft skills.

By targeting funding and a common strategic framework, governments, educators, and businesses can close the skills gap for both the current generation of young people and the generations to come. Today's young people are diverse, smart, and determined to tackle the challenges that tomorrow's workforce will face. Both private and public institutions have a responsibility to teach today's students how to prepare for these challenges.

The green transformation and new technologies necessitate the creation of new jobs, displacing the need for existing ones. Employers around the world are increasingly focusing on the skills and knowledge of workers, rather than on diplomas and previous work experience. Therefore, investments in the development of specific skills can effectively respond to labor market needs.

The future of the labor market presents significant challenges but also tremendous opportunities for those willing to invest in skills development. Adapting to technological change, embracing diversity, and cultivating soft skills are key to success in a rapidly evolving global job market.

For companies, investing in improving or developing the skills of their employees is a crucial step to remain competitive and innovative in the marketplace. For individuals, a willingness to continually learn and develop interpersonal skills will become a valuable asset to them. The future belongs to those who are willing to adapt, learn, and grow. Developing skills will be the key to succeeding in an ever-evolving world.

CONCLUSION

Globalization refers to trends towards a more integrated and interdependent global economy, meaning that world economies are moving from relatively isolated systems with barriers to trade and investment and from distance, time zones, and language, as well as differences in legal and cultural systems, to open markets where barriers to trade and investment are decreasing. Distance is decreasing as a result of developments in technology, culture is becoming unified, and national economies are merging into interdependent and integrated economies, thus creating a unique global system. Absolute poverty has fallen significantly, and for the first time in history, indicators of life expectancy, health, and education have improved. Characteristic of the labor market are several problems that a substantial part of developing countries face. In this regard, measures have been taken that should directly affect the improvement of the labor market situation, which will lead to an increase in the level of employment. Today, human capital and investments in it by institutions, manufacturing companies, or service firms are seen as a mechanism for stimulating sales or production growth, which affects a better performance of their economic activity. An investment in human capital and the application of IT leads to increased productivity. The benefits of increased productivity are extensive, positively impacting the participants of the country and, in turn, benefiting the overall system. In a broader perspective, increased productivity increases the strength of an economy by promoting economic growth and meeting human needs with the same resources, and based on this we can conclude that *“productivity is not everything, but in the long run it is almost everything. A country's ability to improve its standard of living over time depends almost entirely on its ability to increase its output per worker.”* Globalization has exposed national economies to deeper confrontation and competition than ever. It is an unstoppable and inevitable process, a process necessary for the further development and improvement of society, culture, trade, etc. However, globalization also brings various consequences. Economic globalization reflects the continuous expansion and mutual integration of market boundaries and is an irreversible trend for economic development throughout the world in this millennium. The progress of science and technology has greatly reduced the cost of transport and communication and has reduced political barriers to trade and investment.

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