

FLEXIBLE WORKINGS: INCREASING LABOR SUPPLY AND EMPLOYMENT

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Abstract

The labor supply and employment rate statistic is widely regarded as measure of overall health of the economy, over a time. This paper develops flexible economic frame work which increases labor supply, besides combating the unemployment in any economy. Flexible economic frame work helps us in understanding how work force rises and unemployment declines in any economy, by adopting flexible working patterns. Flexible economic frame works has taken five flexible measures in consideration and have discussed their relationship with increasing labor supply and employment. These measures include flexible labor market polices, reduction in working hours, part time working, home working, job sharing and flexible retirement. Paper concludes that most important influence on labor supply and increasing employment comes from active flexibility in labor market including flexible polices and flexible working patterns.

Keywords: Flexible workings, Labor supply, employment.

INTRODUCTION

Today many workers across developed and developing nations are unemployed, at the same time organizations say that they cannot find workers with the skills and abilities they need for meeting the goals of organizations. Thus, the labor market dysfunction is symptomatic of many structural, social and economic changes; that are altering the nature of the work, supply of labor

and shaping employment. Therefore labor market and labor market polices have to keep up with changing social, business and technological patterns (Manyika, James et al, 2012).

Globalization, increased competition and rapid technological changes cause social and economic changes, that changes require greater flexibility and adoptability in business and working patterns. In addition, demographic changes have challenged the labor market including labor supply and employment. It is required to adopt the flexible and innovative ways to ensure the adequate labor supply and to solve the problem of unemployment. Lot of studies implies the positive relationship between flexible workings, labor market growth and productivity (Adam et al, 2004).

Flexible workings

Business and organizations are realizing that flexible workings are something that cannot be ignored in this and in coming centuries. Organizations are competing for skills, abilities and talent in a very tight labor market, where success of the organizations depends on its employees. Technology and business needs have increased the importance and demand of the flexible workings. The numbers of the organizations which are offering flexible workings to its staff have been double in last five years (Kersley et al, 2005).

The term flexibility or flexible workings has many meanings when it is applied in world of the work. Flexible workings provide opportunity to balance service delivery, meeting individual need and organizational needs. Flexible workings are away to help to working peoples and to work effectively. Adopting flexible working at workplaces is creating win-win situation for organization and workers (CIPD, 2005).

Flexible working schedules are spreading, as workers sometimes are not willing to sacrifices their leisure time and their family responsibilities. Workers tend to regard flexible workings practices as most valuable way to ease the work and family conflict and to balance between paid and unpaid responsibilities. The growing value of daily flexibility to workers effects on their way of the working and choice to stay in the organization, especially for dual income households and those workers which have family responsibilities. Flexibility increases labor force participation (Hetrick, Ron 2000). There are many types of flexible workings these include from part time working, compressed hours up to long term leaves and various retirement options for employees. The term flexibility is not only for employees in working but for employer as well in hiring and downsizing.

Labor supply

In any economy, labor supply is given by adding working choices made by individuals in the population, at any time. Total labor supply depends on the current population and individual's willingness to work on agreed conditions. Labor supply has the economic and social

consequences, vary over time. Over the time, the percentage of labor supply have increased and decreased for the same economy. for example in USA, by 2010, the percentage of working men have declined to 64%, while the proportion of working women have risen to 54% (U.S. Bureau of Labor Statistics, 2010). Labor supply trends surely alter the nature of families and societies, as well effect on the productive capacity of the economy. Individuals want to maximize their and their families' well beings by consuming various goods and services. These goods and services to be repurchased from as mostly individuals are not independently wealthy in our economic environment. Individuals must work to earn the required money in order to buy desired goods and services. The economic trade off not working is clear if we do not work we have a lot leisure time but we do not earn enough money to satisfy own needs and wants (Nada Eissa & Jeffrey, 1996).

Labor market is classified into three categories: the employed workers, unemployed workers and residual group of the workers which means workers out of labor force, to be employed. A worker is said to be employed who is working at least one hour with pay and a worker is said to be unemployed who have no work or temporary have been layoff from work. A person is part of labor force either he or she is employed or unemployed but willing to work for pay. Therefore size of labor can be given as below (Tammy, Schirle, 2008)

$$\text{Labor Force} = \text{Employed} + \text{unemployed.}$$

Labor force participation rate is ratio of the population and can be given as:

$$\text{Labor force rate} = \text{Labor Force} / \text{Population}$$

Employment

Individuals and families are largely responsible to provide their own wellbeing but most workers do not have means of production to provide their and their families well beings as they must obtain the means of purchase and means of payment. Therefore they sell the labor power and enter in the job market. Unemployment is failure to obtain the employment and employment is engagement in the work, especially in paid. To consider unemployed a person should be either on temporary layoff or claim that he or she is looking for job at least since last one month but have not found job is known as unemployed. Persons who have given up or have stopped working are not part of the unemployment. Unemployment can be interpreted in different ways. Unemployment problem is significantly worse for policy makers and employment high rate is considered beneficial for economy and society (Tammy, Schirle, 2008).

The employment rate is ratio of employed and population can be defined as:

$$\text{Employment rate} = \text{Employed} / \text{Population}$$

The unemployment rate is ratio of unemployed and labor force can be defined as:

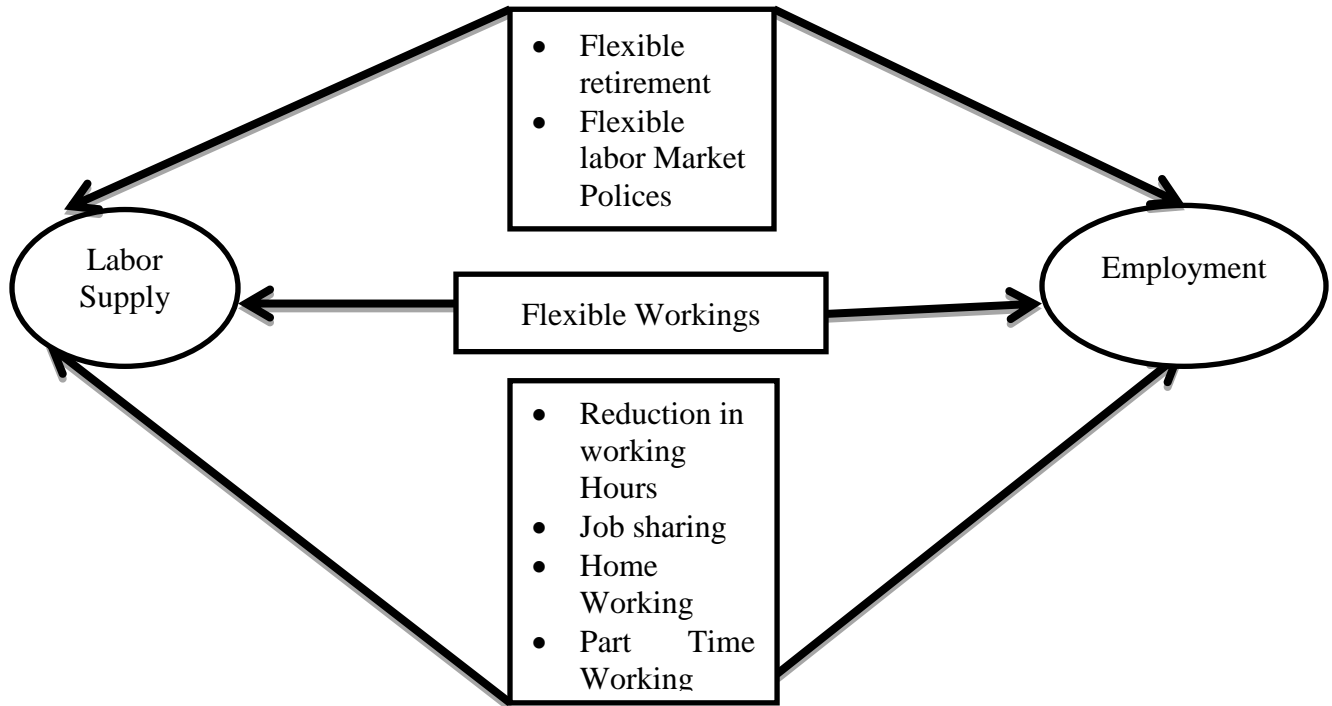
$$\text{Unemployment rate} = \text{Unemployed} / \text{Labor Force}$$

FLEXIBLE ECONOMIC FRAME WORK FOR LABOR SUPPLY AND EMPLOYMENT

In the times of the economic downturn and business downturns; management and employers start analyzing different options to minimize their expenses. These different options include employees downsizing and forced termination. These kinds of the options not only create many problems for employees, society but also for employers and organization (Jeffrey & Charles, 2003). Employees and families of the employees suffer because such unplanned and unshared decisions made by owners. These options ultimately affect our society well beings. Employees and society not only suffer but also organization has to pay price in long terms and as well in short terms. These decisions will defame the organization and in future; no any employee will be willing to join that organization. Organizations will lose skilled, trained and experienced employees as well. It is clear that forced retired and downsizing is not a suitable option for the firms in normal or in economic downturns. The second option which is mostly availed by many firms is cut off the pays because of business downturns. This option is much better than the first option but still not a suitable option. It will be very difficult for the employees to be agreed in reduction in their salaries. Employees may prefer to leave the organization then have cut off in their salaries. They are paid on the basis of their experience and skills. There is much value of these skills and experience in the job market. Even this will be difficult to manage this kind of decision in the organization and in future it may have negative effects for firm.

When employers ask for reduced salaries or cut in their salaries then employees also ask about the reduced business activities but not less earning by firm. Business does not have always profits or losses and workers level of the efforts remains same. He or she is giving same time and concentration to work. When an employer asks about reduced working hours and cut in salaries due to reduced working hours then this is basically change in employment contract or working patterns. Change in working patterns, salaries and timing is based on agreed terms and conditions. Where both parties defend their ideas, in this case it is easy for employers to cut the salaries. If employees or employers are not agreed on terms and conditions then they will leave the organization. There are many issues, conflicts and implications related to, downsizing, cutting pays and for any other option. Therefore Reduced labor supply and unemployment has negative effects on the economy of any country. States and Policy makers always adopt different options to increase the labor supply in any economy and adopt different strategies to combat unemployment. Decreased Labor supply and unemployment, these two economic problems can be solved by flexible and innovative ways. Figure 1 shows how flexible workings has two side effects on one hand it increases labor supply and other hand creates more job opportunities to combat unemployment.

Figure No 1: Flexible workings, Labor supply and Employment



Working hour's reduction

Working hours differ across the countries, because of employers or workers differences. Many countries have considered decrease in working hours per worker in a week, especially in those countries in which unemployment is high. Working hours per week for a worker are falling. This fall is result of many factors i. e. labor supply, income effect, health, labor demand and others. There is increase in skill intensive nature of the jobs. This skill intensive nature of jobs needs reduction in working hours as these workers can maintain high level of the productivity. Shorter working hour improve health and safety, in this way improve the quality of life. Reduction in working hours per worker increase labor supply around and creates more opportunities for others to work hence it increases employments. Reduction in working hours increases the number of the shifts per day. Declining working hours is not function of only health and comfort but increasing labor supply and decreasing unemployment. Therefore many countries have adopted the polices of reduced working hours in order to increase labor supply and providing opportunities to more workers to work(Hunt, Jennifer, 1998). Therefore reduction in working hours can be used as tool for cut in salaries or reducing other benefits by employers.

Reduction in working hours, in many countries is considered as an instrument against unemployment. The idea is that the less work for some will create more work for others. Theoretical and empirical evidence are support the argument that reduction the working hours reduces unemployment and also increases labor supply in the labor market. Reduction in

working hours also increases output of the employees (Axel, Borsch Supan, 2002). The relationship among working hours, labor supply and employment is given below in figure 2.

Figure 2: Working hours, labor Supply and Employment



Work sharing

The supporters of the work sharing demand decrease in working hours per work for a full time worker so work sharing is further extension of reduction in working hours. After a fixed number of the hours, over time premium must be paid. Part time workings and reduction in working hours both is base for work sharing. Work sharing increases employment as amount of the work is fixed to be done by a worker. Existence evidence shows that work sharing increases employment raising the possibility that output will increase (Hunt, Jennifer, 1998). It is interesting to compare the result of work sharing polices. The countries which have adopted such polices has large decline in unemployment. Work sharing has taken form of increased employment and decreased labor supply. In work sharing two employees will work on the one same job and they will share the burden of the work as well earning from the work. This way productivity will increases , employment will increases and more people will be willing to work, so labor supply will also increases. The relationship among work sharing, labor supply and employment is given below in figure 3.

Figure 3: Work sharing, labor Supply and Employment

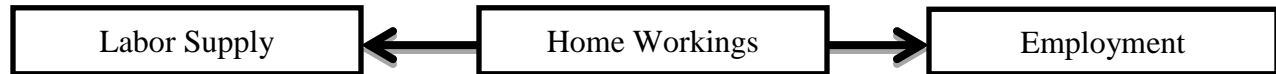


Home working

Home working is an important factor of the world economy. In developed and in developing countries billions of the workers are doing paid work at home. Most of these workers are women and old aged workers (Undp, 2005). Home workers are significantly contributing in national economy and household income, especially among poor families. Organizations are giving legal status to home workers and states are developing regulations in this regard. Home workings increase the labor supply in labor market as more people especially women are willing to work at home. Most home workers are part time workers and pay is based on their output and meeting the targets, in this way output of the workers increases and more people gets

opportunity to work. Home working effects on both labor supply and employment (BajajMahjul, 2002). This relationship of home working labor supply and employment is given below in figure 4.

Figure 4: Home working, labor Supply and Employment



Part time

Although Human capital theory predicts part time workers are less productive than full time workers. Part time jobs are growing in many countries of the world since 1970. (Chris Tilly, 1991). The rise of the part time workers is due to many benefits to workers and employers. It has flexibility for workers and lower compensate for employer. Part time working accommodates the wishes of the business, students, housewives, retirees and others who prefer short and flexible schedules for working. (Chris Tilly, 1991). Employers want to cut labor costs and more workers they want to work with them. In part times working more workers are willing to work in this way it increases labor supply and due to short jobs more workers are demanded by the firms so it increases the employment. Therefore Part time working increases both the labor supply and employment. This relationship between part time working, labor supply and employment is given below in figure 5. Part time has become means of reducing working hours in organizations and reduction in working hour's increases labor supply and employment.

Figure 5: Part time working, labor Supply and Employment

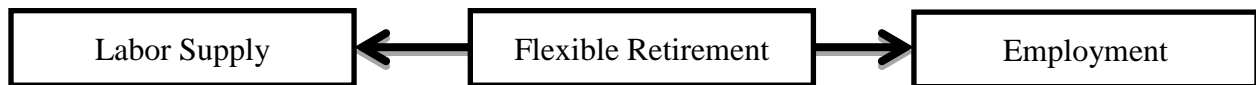


Flexible Retirement

Since last decade the concept of early retirement is increasing in many countries of the world. This trend reflects higher trend of leisure and decreased continuity with one job (Blondal & Scarpetta, 1998). This is very good development and There is need to adopt this as policy from welfare point of view. The changing institutional and working patterns, other benefits related to early retirement has increased this trend. The early with draw from job market has many benefits and this should be encouraged with any other benefits. Early retirement is beneficial especially in creating job opportunities. Further youth workers are more productive then old. Old workers have experience but youth has ambition and wish for career development. Youth work force is more educated and this is era of technology and skilled based, where youth can perform

better the old work force. This trend will increase also labor supply, living standard, and output of the employees which will benefit to organizations. Early retirement is used to increase the labor supply and to hire more persons. Beside early retirement, there should be option of flexibility in retirement option. There should be fixed maximum time for retirement and minimum time option should be open for employees with various retirement benefits. The adoption of the flexible retirement option has two way effects first it will increase the labor supply in labor market and more vacancies will be filled by organizations, in this way it will incensement employment opportunities in any economy. Pension system and other benefits reduce labor supply and people continue their job for longer time. This two way effect of flexible retirement options is shown below in Figure 6.

Figure 6: Flexible retirement, labor Supply and Employment



Flexible labor market Polices

Suitable Labor market polices on one hand create various jobs and on other hand can attract workers. There are various polices which has effect on both employment and labor supply, some are discussed here. Like Wage bargaining can increase labor supply and reduce unemployment. Interventions to raise the skill levels of less skilled workers are an important component of the policy to combat the unemployment. Pure wage flexibility also encourages labor supply of less skilled workers (Jackman, Layard, & Nickell, 1996). Trainings programs, Skills development programs, Voluntarism, Entrepreneurships, Shifts, less taxes on employment, less employment protection, lower employment protection has two effects first it increases the hiring therefore it will decrease long term un employment. Secondly it increases firing so it increases short term unemployment etc. Thus in labor market areas various reforms are needed, if well designed are reforms then these reforms may have increased labor supply and combat unemployment in many countries (Jackman, Layard, & Nickell, 1996). The case for active and flexible market polices comes from social cost benefits analysis. Innovative reforms are needed to increase labor supply and employment in any economy. This relationship of labor market polices, labor supply and employment is given below in figure 7.

Figure 7: Labor market polices, labor Supply and Employment



CONCLUSION

Unemployment and labor supply has social and economic consequences overtime. The flexible economic frame work explanations the flexible ways to increase labor supply and increase employment in any economy. The route to lower unemployment and higher labor supply is flexible workings. Flexible workings includes many options for working, these all options have direct and indirect effects on labor supply and employment. Flexible economic model explanations that reduction in working hours increases labor supply in any economy and employment, as in shorter hours more shifts can be arranged and higher the working shifts means higher demand of the workers. Due to reduction in working hours more workers will be willing to work. Therefore reduction in working hours increases the labor supply and employment. Work sharing is another flexible way to increase the employment and labor supply. When two workers will work for a same job for shorter time then both will have earning opportunities while the assigned work will be complete in short time and workers will be able to work and avail more working opportunities. Part time working is third flexible way to increase the employment and labor supply in the market. In part time working workers will be able to work for two to three jobs so this will increase the number of the workers willing to work and for shorter time more people will be offered jobs. Flexible retirement options are another tool to increase the labor supply in the market and creating vacancies for other employees. Last flexible way and most important is flexible and active market polices. Polices and institutions affect the labor supply and unemployment levels in any country. The active role played by flexibility can reduce unemployment, so more flexibility needed to be complemented by more interventions to provide active help to increase labor supply in any economy and to reduce unemployment. Greater labor market flexibility including labor market polices, collective action, deregulation and decentralization is required. This analysis show that polices are now shifting in the direction of shorter employment trends. The employment of older employees will be lower in future labor market changes. Flexible working is a suitable way to increase the labor supply and combat the unemployment in any market economy. Nations can avail many benefits by availing the flexible ways of workings. Many countries have to deal with challenge of reversing the trends of working and exit and enter in the labor market. Flexible workings have been widely supported as an important policy instrument to increase the labor supply and employment.

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