

# Essay on government influence on work, employment and labor market

[Literature](#), [Russian Literature](#)



## **The Largest Actor in the Economy: Government**

Government is an organization founded by the collaboration of all people in a country which is assigned to organize country management, protect its citizens' rights, provide public services to its citizens and develop country economy and welfare level.

Governments are mostly elected organizations for a certain time period and they need citizen votes for being on power. They make economic, social and political development plans and present it to citizens; and if people gives them power, government can implement its plan strategies.

Government is the largest organization in all countries. To do its duties spends a lot of resource and those spendings are financed by taxes collected from all citizens. Policies implemented by government effects almost everybody in a country. That government effect occurs due to size of government in terms of resources it has and political power. Governments might have power to make legal arrangements in some countries. The most eminent legal arrangement are socio-economic policies that government studies, determines and implements.

## **Government and Capacity and Job Creation in Economy**

Governments, to be able to be elected and be on power in future terms, want to be successful and there are some important success indicators monitored by voters. One of these indicators is jobs created and closed in a certain time period. In another word, government should be able to provide an economic environment and stability, thus people can start more enterprises. If government cannot develop this trust, it might lose its political

support from people. However, political success does not only depend on economic success, but also on non-economical variables (Seligson 2008). How can governments help people start their own enterprises or develop a suitable economic environment? Governments have some policy tools: Government spendings, taxes, legal arrangements, and promotions for investments, construction of large infrastructure, and other similar tools financed through taxes (Ham, Swenson, İmrohoroğlu, and Song 2008). Basically, one can claim that governments can increase its spendings, decrease taxes on enterprises and build large infrastructures for businesses, therefore businesses can find better opportunities to develop in an expansionary economic environment. However, this task is not that easy; success in economic management requires control and balance between some economical, political and social policies which has different beneficiaries with different utility functions, and stability in economy - a solid expansionary economic policy cannot be sustainable.

Governments have to answer two important questions: 1) "How can a government determine who get most benefits from government's policy implementations? (a political decision)", and 2) "How can government continue economical stability and develop economy?". Answering these questions gives us governments' policies for a certain time period (Brender and Drazen 2008). Under normal social, political and economical conditions, a government prefers policies which enable this government be elected again for next term. If a government is lucky enough to have enough economic resources and a well developed economy in terms of structure and human capital - that should be considered as a present from previous

governments and public-, it might have a chance to implement expansionary economic policies; therefore it guarantees to be elected again. If no such nice conditions exist for government, it will be truly difficult to manage complexity among different objectives and determine policy set.

Consequently, quality and quantity of jobs in market are directly or indirectly effected by governments' economical, political and social policies and job creation has an importance for government politically.

## **Governments and Employment**

Employment and -reversely thinking- unemployment are very important indicators for an economy in terms of economic development. All governments aim at providing an unemployment rate less then 5% . This is called natural level of unemployment and it indicates that economy functions well.

Employment is like coin, it has two faces: economical and social.

Employment means using human resources and human capital for production for sake of a country. Unemployment means not using some resources for development (Granovetter 2008).

Governments, if they are assumed to be caring their people, determines and implements some policies to increase number of people who are willing to work, increase human capital accumulation, and provide appropriate jobs for workers. Thus, human resources are to be used efficiently in economy.

Firstly, government should promote people join labor force; therefore country might have enough human resources capacity in terms of quantity and quality for economic development. It is obvious that if high quality

people are not joining labor force, then their quality does make no contribution to national economy. Promoting people to join labor force is a complex task to do for government thanks to social state approaches. As we know, working is a bad good that no one wants to buy it, or in another word, most of people prefers making money without working if possible, and it becomes possible if government aids or other kinds of aids for unemployed people are available. Governments should make a decision for cutting social aids, that might create some political risks, or continuing these aids, that might create economical risks (Nightingale and Holcomb 1997).

Another important area for government relevant to employment is human capital accumulation. Average age of labor force, education level, experience level, satisfaction, happiness, working conditions, participation at workplace, workers' rights and similar other variables are as important as quantity of workers in economy (Gustav 2004). Government should design its policies to cover all these variables. People at different ages with different cultural, educational and social backgrounds should be able to find opportunities to develop themselves and transform themselves to highly efficient workers (Ranis 2004). Thus economy can produce higher values easily and people might have higher level of welfare.

Final economical issue pertaining to employment I will state here is to provide appropriate jobs and working conditions for all kind of workers in economy. Having enough labor in terms of quality and quantity is necessary condition, however not satisfactory. We need jobs for all these workers appropriately, thus they can use their knowledge and skills to produce. Otherwise, economy might lose those workers to other countries which

provides better conditions for working. That is also called “ brain immigration” and there is no policy other than providing better working conditions. Governments have power to make legal arrangements for working conditions. This might not be enough, it should be supported by promoting entrepreneurship, new businesses and job creation (Wadhwa, Jasso, Rissing, Gereffi, and Freeman, 2007).

Employment has also a social dimension: unemployed people become a burden on other people through social insurance systems or social aids. Being unemployed might be because of many things; person might be lazy, person might be disable, person might be discriminated, mobility of labor might be not developed enough etc. Unemployment might bring poverty if no government aid or social support mechanisms are not functional (Herrera-Idarraga, Lopez-Bazo, and Motellon 2013)

Being unemployed might be due to less developed labor markets. That case indicates us a very big structural problem. In such markets, people are not hired thanks to their qualities, but due to their political or social relations. Considering that governments also can hire a large number of people for public services, competency approach becomes very important. We sometimes observe that such problems might create large social strikes and it is really difficult to manage such strikes occurring because of corruptions in economy.

Social objectives and problems pertaining to unemployment make governments' tasks harder. They sometimes might have to prepare strategies without considering economic objectives. Especially considering global financial and economic crises, governments might spend resource on

social objectives inefficiently in terms of economic balances.

John Maynard Keynes suggested the UK Government during the economic crisis in 1920s to spend money and increase government expenditures to stimulate economy without taking budget deficits into consideration and this helped the UK economy to recover from the crisis, however, the government expenditures had become continuous. This situation created economic problems in the following times and high budget deficits caused other crises.

Governments, considering social and economical objectives, have to prepare strategies, thus they might create higher potentials for economy and higher welfare level for people.

## **Governments and Labor Market**

Governments as the biggest actor in economy have enough political, economical, and social power to change conditions of working in labor market.

First of all, governments hire a lot of people for public services, conditions at public service workplaces for officers and public servants create an analogy to other workers of private companies. When governments increase level of wage, then other companies might not increase by the same rate of government's increase, however, an increase will be demanded by private companies' workers and wages will increase (Bewerunge and Rosen 2012).

Secondly, governments can change legal conditions of working in many countries and that affects all employers, all employees, and their relation.

Rising minimum level of wages, increasing taxes on income, increasing cost

of social security for workers, forcing some conditions in work contracts, changing conditions for labor and employer unions and other similar changes have a large impact on labor market.

Thirdly, governments' economic policies might create a pressure or a loosening on labor market. When governments implement expansionary economic policies, goods prices goes up due to high expenditures in economy and that might cause an increase in cost of production. When companies face higher costs, the first item they touch becomes labor force. They might fire people or follow lower wages policy. When country has a recession, government might force labor forces to work with lower wages, thus producers can continue working and workers are not fired.

Governments' political vies has also importance in terms of regulating labor market. If a government has beliefs in socialism, then labor unions might get more rights.

## **The Result**

Governments' political, social, and economical power can influence everybody and everything in an economy. Legal regulations, economic policies, social aids, public workers' workplace and working conditions, tax changes on income are some of the tools that a government can use as a tool to reshape labor market.

Labor market is an essential market for economies and it has two dimensions: economical and social. Economically labor market provides labor at varying qualities to companies at the lowest possible price in a free market economy. Labor can earn the highest wage in a free market economy



and survive next day. Socially, labor force is all human, because of that, any change in labor market creates a social impact also.

Governments, to be able to develop their economies and increase welfare level in their country, should give very high importance to labor market. A developing country should be able to transform workers in country to higher quality workers with more accumulated human capital. Thus, this country can produce better products with better workers and workers get higher level of income to increase their welfare.

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