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THE PRINCIPLE OF EQUAL CHANCES VERSUS THE CONCEPTS OF LABOR MARKET

Summary

The paper characterizes the selected theories of the labor market, starting from the classical theories, through the Keynesian, neoclassical and neo-Keynesian theories and ending with the concepts that point at the possibility of unemployment in the conditions of equilibrium on the labor market, in the context of the essential principle of the EU economic policy related to equal chances. The principle, in accordance with which no person or social group may be discriminated against, may have positive impact on the efficiency of the market mechanism in the aspect related to employment.

Key words: labor market, the principle of equal chances, non-discrimination, unemployment, labor market concepts

JEL Classification: E12, E13, E19, E24, E69, F15, J65

1. Introduction

The theory of economics has for many years attempted to explain the functioning of the labor market. On the one hand, it is the market where the act of demand and supply shapes the price level and affects the shaping of equilibrium. On the other hand, however human work is not a typical factor of production. In its description it is necessary to take into consideration not only the strictly praxeological, but also the human aspects of work: psychological, social and biological. Furthermore, the frequent occurrence of lack of equilibrium on the labor market in the form of unemployment has serious social effects. Therefore, this segment of economic system is the subject of economic analyses, but a universally accepted theory in this aspect has not been elaborated so far [Kryńska,

Suchecka, Suchecki, 1998, p. 33]. At the same time, the model of the Uniform Internal Market of the EU functions implies not only “the paradigm of effectiveness”, but also indicates the necessity to ensure possibly equal chances on the labor market for particular citizens, and in a wider perspective, for particular groups. In this aspect the European Commission pointed out several years ago that “Identical treatment may result in formal equality, but cannot suffice to bring equality in practice. EU non-discrimination legislation does not prevent any Member State from maintaining or adopting specific measures to prevent, or compensate for, the disadvantages linked to discrimination on grounds where there is provision for protection” [COM, 2008, p. 3]. It is believed that the principle of equal chances may be useful for activating the development processes not so much by complete accomplishment of the existing formal requirements related to various aspects of the social existence as regards “equal chances”, but mostly by pointing at a certain development vision for both the EU members states and their citizens. Its “beneficiaries” are in fact the people who are employed presently and that will be employed in the future. Hence, the universal usage of the principle of equal chances in management may in fact contribute to the creation of human capital – one of the factors of economic growth. Therefore, the aim of this elaboration is to make the review of the concepts and terminology regarding the labor market models as well as to show the principle of equal chances in the context of the presented theoretical approach.

2. Classical concepts of the labor market

In terms of the labor market one of first views were presented by classical economists. They decided upon the discussion on this economic subsystem for the subsequent years. The subjects of their interest were chiefly the issues related to equilibrium on the labor market as well as the most important problem – unemployment. Their analyses were focused on the issues related to the availability of the labor force, the mechanisms of setting wages and their impact on the market equilibrium. They also appreciated the impact of technological advancement on the labor demand.

The pillars of the classical views on the labor market were established by Adam Smith. The eminent economist underlined the fact that apart from capital (its financial aspect) labor constitutes one of the three major production factors. Hence, Smith emphasized the importance of the labor factor for economic growth. It was also stressed by Smith that labor is related to the created product, but following the acquisition of capital and land by private owners, its results must be shared among the owner of land and capital and the employee. Smith also observed that these parties have opposing interests and that the bargaining power is not equal. The owners of land and capital create the social group with the capital necessary to pay for the labor from the moment of employment to the sale of the good. By using their resources they may also abstain from employing an employee who usually does not have satisfactory measures to abstain from working when the job is not satisfactory [Smith, 2007, pp. 77-80].

Smith pointed at factors that determine the demand for labor and its distribution. According to Smith the demand for labor depends on the increase of funds that are earmarked for paying for it and, in particular, on the rate of accumulation of capital. Simultaneously, the increase of national capital was ascribed to the demand for labor and increase of wages [Smith, 2007, pp. 79-80, 82-85]. In this context it is necessary to focus on the pro-growth mechanism of the principle of equal chances that has been implemented in the European Union for more than a dozen years: by not paying respect for the principle member states will encounter problems with making use of structural funds. In this context it is essential to acknowledge the legislative achievements of the EU and to consider the principle of equal chances in its economic practice as obligatory in each stage of realizing the development projects financed by the EU. "Member states and the Commission shall ensure the equality between men and women and the integration of the gender perspective is promoted in various stages of implementation of the Funds (...) shall take appropriate steps to prevent any discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation in particular stages of implementing funds, especially as regards the accessibility to them. In particular, the accessibility for disabled persons shall be one of the criteria to be observed in defining operations co-financed by the Funds and to be taken into account during the various stages of implementation" [Council Regulation (EC) no 1083/2006, Regulation of the European Parliament and the Council (EC) no 1080/2006].

With regards to the issue related to the labor supply Smith focused on the importance of the actual wage. Smith indicated that simultaneously with its increase employees have more funds for childcare and thus the larger number of them increases the general resources of the labor force. Smith drew particular attention to the real value of labor because the same nominal sum of labor may have different importance depending on the maintenance costs. By analyzing the necessary value of wages that need to be paid for the employees Smith drew attention to the fact that the reduction of wages below the value that guarantees the maintenance for the employee and the family has clearly negative meaning – it may denote higher mortality rate, worse state of health of employees and, in further perspective, reduce labor supply. Hence, according to Smith it would be an optimal situation when the wage rate was larger than the maintenance costs to the degree enabling the recreation of labor resources [Smith, 2007, pp. 79-81, 92-100]. According to the authors, Smith's classical concept is visible in the modern normative contents of one of the basic legislative regulations related to the EU structural funds, i.e. art. 7 of the Regulation of the European Parliament and the Council (EC) no 1303/2013. Similarly to the previous documents from 2006 "member states and the Commission take proper steps to prevent any discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation during the preparation or implementation of programs", which in the economic practice regards, among others "non-diversified" minimum wage paid in particular EU member states that is identical irrespective of the individual attributes of the employee, i.e. the minimum wage that in a certain national economy "may not discriminate anyone".

Smith stressed that thanks to the market mechanisms in a long time perspective the equilibrium is set naturally on the labor market. It takes place thanks to the play of

demand and supply. The increase of demand for labor is not always reflected in the amount of available labor resources. Then the sums of wages increase, which in a longer time perspective ought to bring the increase of labor resources. The increase ought to activate the competition between employees and result in the reduction of wages. This, in turn, ought to reduce the tendency of the increasing labor supply [Smith, 2007, pp. 100-102].

Smith was also drew attention of his contemporaries to the certain aspects of divergences on the labor market. Among the factors that determine the differences in the wage level Smith mentioned the following: good working conditions, employment stability as well as the amount of work necessary for studying in order to have the possibility of exercising a certain profession, trust in an employee as well as chances for achieving success and well-being at work. Smith characterized the impact of these factors on the labor market using as the example the paid activities undertaken at that time. On the basis of them Smith concluded that the negative factors affecting the comfort at work must be reflected in the wages received for performing the work. The risks related to work (e.g. the risk of death or the risk related to the temporary lack of orders that may be difficult for an entrepreneur – employer) ought to be considered in a similar way. What is more, the divergence in terms of wages results from differences in the time and outlays necessary for performing a certain type of job. Relatively less attention was devoted by Smith to the issue related to individual abilities and predispositions required for achieving success in a certain job. In this context Smith indicated mainly freelance professions as the occupations in which working is on the one hand connected with the risk related to the lack of necessary skills and on the other hand constitutes mostly the source of satisfaction and decent earnings. According to Smith the craftsmanship occupations may be mastered by almost everyone [Smith, 2007, pp. 117-140]. Additionally, Smith noticed that the market mechanism regulates the differences in terms of wages in particular occupations. If a certain job is considered as particularly attractive (taking into consideration the relation between the “unpleasantness” of performing it and risk and the occupational prestige), there can be observed flow of employees to a certain profession, whereas the increasing supply of employees reduces the wages. Furthermore, Smith negatively assessed the impact of state regulations on the labor market as the factors reducing the efficiency of the market mechanism. In this aspect Smith mentioned the problem of the obligatory duration of the working period as an apprentice prior to becoming a self-reliant craftsman. Smith pointed out that in the countries where there are no limitations of this type the quality of services is similar, whereas the price is considerably lower [Smith, 2007, pp. 140-169]. According to the authors, the efficient labor market described by Smith as “free and competitive” must not discriminate against particular employees, both from that period and contemporary “apprentices” and “craftsmen” owing to their individual features that are not dependant on them and may considerably reduce their possibility of executing work and employment. In this aspect it is necessary to point at the aforementioned art. 7 of the *Regulation of the European Parliament and the Council (EC) no 1303/2013* which has been in force in legislative and economic practice and regards the financial perspective of the years 2014-2020.

It implies that “when preparing and implementing programs it is necessary to take into account in particular accessibility for persons with disabilities”.

Important contribution to the classical market theory was made not only by Adam Smith, but also by David Ricardo. Ricardo analyzed mainly the mechanisms of setting wages on the labor market by taking into consideration the natural wages and market wages. Thus Ricardo differentiated between the nominal and actual value of the remuneration paid for the employees. According to Ricardo natural wage denotes the sum of money for which employees can feed themselves and their family to such degree that the value of the labor force resource neither increases nor decreases. Ricardo specified their minimum acceptable value in the categories of “*subsistence level*”, which (according to the authors) from the perspective of the contemporary principle of equal chances means “the lack of discrimination of anybody for any reason” and by means of corrective activities and facilities ensuring at least “minimal” socially acceptable access to resources and infrastructure [Branka, Dunaj, Dymowska, Sekutowicz, 2010, p. 13].

Additionally, Ricardo analyzed the issue related to the changing prices of goods that employees need in order to survive. The increasing prices of grain and other necessities have negative impact on the real value of wages. According to Ricardo market wage is set in a similar way as Smith described it – as the consequence of the play of demand and supply. The increase of labor supply in the conditions of maintained stable demand (for example, owing to the increased number of workers) results in decreasing prices of labor and negatively affects the living standard, which in a longer perspective may reduce the population of workers. The reduction in the number of employees causes increased competition of employers and thus tends towards increasing the wages. This, in turn, results in improving the living standard of employees and in the tendency related to increasing their number. Additionally, Ricardo focused on the impact of demand for labor on its cost. The increase of the amount of capital increases the demand for labor and makes the wages higher. On the other hand, the converse tendency reduces the demand for labor and at the same time makes the wages lower. Ricardo expressed the opinion that state interventions on the labor market as regards wages ought to be considered as harmful. The regulations aiming at increasing the wages of employees frequently have adverse effects. The increase of the nominal wages causes increased demand mostly for necessities, which generates higher prices of them. Furthermore, it worsens the financial situation of companies and thus reduces the demand for labor [Ricardo, 1929, pp. 73-81]. According to the authors of this elaboration this phenomenon may be observed especially in case of “weaker” persons, e.g. physically handicapped people the employment of whom is related to making additional outlays – modern principle of equal chances does not contradict Ricardo’s concept of minimal wage.

On the basis of the analysis of the subject literature one may assume that classical economists considered unemployment as a temporary phenomenon that in longer time perspective may be eliminated owing to the reduction of wages and adjusting demand and supply that are the consequences of it. Unemployment occurring in a longer time perspective was ascribed to the inflexibility of wages – as the mechanism distorting the labor market. They were termed as “voluntary”. The interventions of state on the labor market were considered by economists as unnecessary or even harmful because

they may disturb the market mechanism. Therefore, classical economists treated labor market as uniform as regards the aspect of labor supply. They did not draw much attention to personal skills, talents, possibilities and competences and also to the chances of achieving them. According to them the leading role on the labor market was played by the price mechanism. During the characterization of the classical concepts of the labor market it is necessary to take into consideration the fact that labor in the 18th and 19th century was based chiefly on the physical force and to a smaller degree required high qualifications. Owing to this the issues related to equal chances did not constitute an essential factor of the analysis made by classical economists. Nevertheless, on the ground of the contemporary principles and shaping the labor market it is necessary to state that the principle of equal chances determined in a normative way and used in economic practice of the EU does not considerably contradict the classical concepts. Its essence lies in ensuring “equality” on the labor market, as the consequence of which the employment of particular employees entails the same benefits from the perspective of an employer. In other words, presently this principle may have positive meaning in the aspect of reducing unemployment. Employment or the lack of it ought to result from objective factors, e.g.: knowledge, qualifications, experience and motivation of a certain person, but not from the very fact of this person’s either “fitness” or “disability”.

3. Keynesian concepts of the labor market

Despite characterizing many aspects of the labor market functioning, classical views could not explain the lack of equilibrium that with the years passing by occurred there more frequently. It was especially the observation of the consequences of the Great Depression in the years 1929-1933 that pointed at its imperfections and resulted in the formulation of an alternative to the classical theory. John Maynard Keynes shifted the analysis on the macro scale and focused on a short period. The starting point of the deliberations of this economist in the context of the labor market was the observation of long-lasting unemployment that was not reduced despite the decreasing level of wages. This fact undermined the assumption that the changes of wages will equate supply with demand and will bring back equilibrium on the labor market. For this reason Keynes made the attempt to analyze the factors that have impact on labor demand and supply as the primary source of lack of equilibrium on the market. In fact, the specification of the level of wages on the basis of the play of demand and supply was considered by Keynes as secondary. Above all, Keynes showed that demand for labor depends on the value of effective demand in economy. This includes consumption demand and investment demand. Especially the latter demand is susceptible to changes of the economy’s condition. As it was observed by Keynes, the companies that do not achieve a satisfactory level of sale of their products and that do not have good perspectives (expressed by the difference between the anticipated return on investment and the rate of interest in economy) will not invest or increase the employment level. Yet, the characteristic attribute of economy at that time was the state of unsatisfactory demand, which resulted in reducing employment and the occurrence of unemployment.

In such situation the reduction of wages did not motivate entrepreneurs to increase employment. Therefore, as Keynes observed, from the perspective of the equilibrium on the labor market it was necessary to undertake the activities aiming at increasing the effective demand. These activities included especially: the increase of government spending, public investments and intervention works that by increasing the employment level thanks to the multiplying mechanism will increase demand in economy. In these concepts labor supply was, in turn, determined by demographic factors. Furthermore, the economist drew attention to the fact that employees must work in order to gain funds for satisfying the basic needs. Therefore, when the actual wages decrease, the labor supply may increase because more people need to take a job in order to gain at least minimum resources necessary for satisfying the needs of their family [Keynes, 2003, pp. 234-244].

Additionally, Keynes pointed at the previously observed imperfections of the mechanisms of adjusting actual wages to the changes of labor demand and supply. In the first place, wages are mostly constantly down owing to wage agreements and the activity of labor unions. Furthermore, the reduction of wages in the period when labor supply is greater than demand for it could additionally reduce the effective demand in economy. In such situation the demand for labor would decrease even more. Owing to this Keynes did not postulate making wages more flexible. Adversely, the economist drew attention to the fact that the increase of the actual wages does not take place automatically with the increase of demand for labor. Such situation occurs only when the state of complete usage of production skills is achieved. In this context the principle of equal chances ensures the possibility of participating in the market of persons and social groups that were excluded from it in a certain extent. The practice of using it entails reduction of barriers in the free access to the labor market. In this aspect the recommended activities regard the implementation of the principle of equal chances within the frameworks of the projects financed from the EU funds. As shown in certain recommendations regarding the program periods 2007-2013 and 2014-2020, the activities include:

- the “elimination of discrimination on the labor market, including the disproportions based on sex;
- ensuring the access to buildings and the space around them for disabled people in order to guarantee unlimited mobility, easier access to education (including co-financing of trainings by an entrepreneur), e.g. irrespective of sex or the degree to which an employee is disabled;
- ensuring day-care system (among others, company-based kindergartens);
- more flexible working conditions including, among others, flexible working time (the possibility of setting the working hours together with the supervisor); work from home (remote performance of certain duties) owing to which an employer provides, among others, necessary software equipment including the installation of broadband Internet access at the employee’s home; part time job; working in the evenings; the possibility of working *on-line* once a week if the job position makes it possible” [*Wytyczne w zakresie kryteriów oceny dla działania 4.4...*, p. 26].

The theory of Keynes also constituted considerable contribution as regards the analysis of diversities on the labor market. In the first place, it does not postulate the homogeneity of both employees and the work performed by them. On the contrary, the basic assumption is the diversity of employees. It results from various personality features, various education, etc. The diversity results in diversified efficiency of employees, which is then reflected in different wages [Keynes, 2003, pp. 38-39]. Nevertheless, the diversity ought to regard knowledge, competences, skills and experience. It should not be visible in creating barriers for the accessibility to the labor market; on the contrary, employers ought to be motivated to reduce them, which is confirmed also by the requirements regarding the aspect of implementing the principle of equal chances into the economic practice. In this aspect pointing out the necessity to perform the activities reducing the disproportions in the equal access to employment is considered constructive: “the project has positive influence on the EU horizontal policy UE specified in art. 16 of the Regulation of the European Council (EC) no 1083/2006 if (...) it contributes to making the chances on the labor market equal, (a) (...) thanks to its realization it will be possible to implement (...) activities undertaken with the aims of eliminating the existing or potential barriers in the access to the existing positions or positions that are going to be created (...)” [*Wytyczne w zakresie kryteriów oceny dla działania 4.4...*, p. 26].

4. Neo-classical concepts of the labor market

The theories of Keynes were universally used in the period following the WWII. However, in the 1960s and 1970s there emerged phenomena to which the theory could not offer explanation. Therefore, neo-classical theories were created. The economists with neo-classical approach focused on the activities of employees that make individual decisions on the basis of assessing the effort made on labor and the benefits ensuing from the achieved additional income. If this “balance” appears to be positive, they decide to take the job.

One of the main representatives of neo-classical concepts was Alfred Pigou. Pigou formulated the assumptions of fully competitive labor market. These include chiefly:

- full knowledge that employers and employees have about wages, thanks to which the market is transparent;
- rationality of employees and employers in economic terms;
- lack of concentration in the supply and demand for labor;
- full mobility of employees;
- activities of employees and employers are motivated individually;
- work is homogenous and transferable – from one market into another one [Ekonomia rynku pracy..., 2007, p. 39].

On the market where these conditions are met, the equilibrium level is determined by the tendency of equalizing the actual wage with the ultimate work productivity. It is due to the fact that the law of diminishing returns is in force there. Therefore, the equal level of labor demand and supply is determined by the level of the actual wage.

Free flow of employees between branches and local markets contributes to ensuring the effectiveness of the market mechanism [*Ekonomia rynku pracy...*, 2007, p. 39]. While making reference to the realities of the labor market it is necessary to emphasize the fact that they are hard to comply with. The access to full information is, in fact, impossible and the lack of concentration as regards the demand for labor does not occur there. Above all, it is the assumption of homogenous character of labor that is incompatible with the reality of the contemporary labor market. Those employees that are dismissed from jobs characterized by low requirements regarding their qualifications are not capable of taking up (rather quickly) other positions where good qualifications are required. Additionally, it is very difficult to quickly retrain employees to shift from one economic branch to another one. It is time-consuming; additional barriers for the circulation of employees become the issues related to their personal skills, predispositions and qualifications. In this context, the horizontal policy of the EU regarding the aspect of making chances equal that was realized actively in particular in relation to the financial perspective in the years 2007-2013 may contribute to reducing the disproportions in the access to the labor market and thus result in increasing its effectiveness.

The subsequent neo-classical theories to a major degree took into consideration the reality of the labor market. The basic assumption of the search theory was diversity both in terms of the supply and demand for labor. In fact, in economy there is always a certain number of job offers on the market that differ from one another in terms of the wage being offered and the necessary qualifications. Furthermore, employees differ from one another in terms of the wage expectations and mastered skills. Additionally, the transfer of knowledge is not perfect, owing to which neither employers nor employees have full knowledge of the market. The completion of the information requires time-consuming, labor-intensive and expensive activities, owing to which both sides of the transaction are based on incomplete information [*Zieliński*, 2017, pp. 52-54]. By using such models as the sample model and the threshold wage model, the theory explained the determinants of decisions that are made by employees and decide upon the unemployment rate. Above all, employees expect certain minimum wage that they are willing to accept. Unless they receive it, they refuse to take the job. The conclusion is that each support offered for employees increases their level of threshold wage and increases the unemployment level. Additionally, employees make decisions regarding the number of considered job offers by analyzing, among others, the costs incurred during the search. Larger number of offers taken into consideration increases the effectiveness of the decision being made. For this reason it is necessary to aim at reducing the costs of achieving information about the job. A particularly important factor that has influence on the range of search (and this on its effectiveness) is the level of qualifications possessed by an employee. Owing to this the investment made in increasing them has positive impact on the degree of offers available for the employee [*Polityka rynku pracy...*, 2015, pp. 40-41]. The theory was the first to consider in such large degree the issues of diversities on the labor market and offered activities aiming at overcoming them, such as the improvement of access to information about job offers and reduction of social support aiming at decreasing the expectations of employees. From the perspective of equal chances the bargaining

power of potential employees largely depends on their activity and financial resources they may allocate for the search. It means more difficult position of people who have savings – proper funds that can be “invested” in looking for an acceptable job. This problem regards, among others: young persons entering the labor market, including the graduates, persons dismissed from low paid jobs or persons separated from the society as well as disabled individuals. Therefore, it is difficult to perceive the chances of particular groups as equal from the perspective of the market mechanism. According to the authors, this problem at least in a certain degree may be reduced w due to respecting the principle of equal chances. Nevertheless, on the other hand both the policy and activities related to reducing the disproportions on the labor market may not favor particular persons and social groups.

The issues related to the diversities on the labor market were emphasized to a greater degree in the theory of human capital presented by T. W. Schultz and elaborated by G.S. Becker. The theory drew attention to the fact that one of the basic factors that decide upon the chances of being employed (and in this way on the wages) is “human capital”. It is divided into general capital (knowledge and general education one gets during a lifetime) and specific capital (resulting from the experience and skills acquired and necessary for a certain employee on a certain working position). In accordance with the theory, employees on their own decide how they shape the level of human capital by gaining education, and later on by improving their skills. Thus their situation on the labor market is chiefly the effect of long-term investments in knowledge, skills and qualifications that are necessary on the market. From the point of view of an entrepreneur the theory postulated the usage of progressive systems of offering wages so that the employees with low qualifications had the motivation for further personal and professional development. After the achievement of an indispensable level of qualifications employees ought to receive higher wages than in competitive companies so that they do not decide to change their job. In opposition to the earlier neo-classical concepts this theory anticipated the active role of the state that during realization of their economic policy may create solutions that make the chances on the labor market equal. Simultaneously it implied the shaping of the education system adjusted to the needs of the labor market, promotion of life-long learning and further training, also with regard to the unemployed persons [Zieliński, 2017, p. 52; Szaban, 2016, p. 29]. The theory showed clearly that particular employees do not have equal chances on the labor market. Their position, in fact, depends on both their education and the experience. Especially the latter factor largely differentiates the chances of particular persons to get a job. Their basic argument lies in the lower costs of labor, but this element may be hard to use in the situation of collective agreements and inflexible wages – the principle of equal chances is becoming more important then.

5. Neo-Keynesian concepts of the labor market

Neo-Keynesian theories also contributed to the explanation of the mechanisms of the labor market. The first neo-Keynesian theory regards informal contracts. The

theory showed that the inflexibility of wages in enterprises is not only the effect of the activity of labor unions, but it also results from informal agreements signed by both employers and employees. They are beneficial for both parties. Employers agree to maintain a stable level of wages, irrespective of the economic situation. In such case the benefits ensuing from maintaining wages in the period of economic prosperity will compensate for their losses related to the periods of worsening the results. Furthermore, from the point of view of an employer it is beneficial to reduce the fluctuation of the staff. Therefore, they decided to adopt such wage policy even though it entails certain risks (high costs during crises, the risk of “hiring” employees away during the periods of prosperity). From the point of view of employees such contract with an employer is also beneficial because it stabilizes the working conditions and makes them more predictable. Thanks to it also employees change an employer more seldom. From the perspective of equal chances, the theory laid emphasis mostly on greater chances of finding a stable job that the already employed persons have because they are more attractive for an employer (“tested” and “more secure”). For this reason the possibilities of competing, especially as regards lower wages, are much smaller from the point of view of other persons [*Ekonomia rynku pracy...*, 2007, pp. 62-63].

The concept of the *insider-outsider* also constitutes an essential theory. The concept points at different position of employees in an enterprise (the so-called *insiders*) and persons functioning outside the enterprise – unemployed, the employees of competitors (the so-called *outsiders*). According to the theory employees classified as the insiders have greater bargaining power the higher are the costs of the rotation of employees. New employees need to be trained because in the beginning they are usually less efficient and do not have necessary experience in the company. Therefore, employers are reluctant to substitute the well-known employees with new less expensive employees. The higher are the costs related to hiring a new employee, the higher wage demands are likely to be accepted by employers. From the perspective of equal chances the theory is particularly essential because it clearly indicates the privileged position from the group of *insiders* [*Ekonomia rynku pracy...*, 2007, pp. 60-62]. Therefore, in order to guarantee real equality of chances on the labor market it is necessary not only to adopt the declarative approach to the policy indicated in this aspect, but to implement it into the practical management of particular enterprises.

From the perspective of the equal chances of employees both the theory of informal contracts and the *insider-outsider* theory clearly differentiate between persons into the employed ones that participate in signing agreements with employers and persons from the outside that are in a worse situation. The already hired employees are well known to the employees, their work has a certain value and their experience is a certain “capital” for an employer. Therefore, persons from the outside who compete with the present employees have more difficult situation and worse negotiating position. This situation regards especially disabled persons for whom it is necessary to prepare working place in advance.

Considerable contribution to the analysis of diversity on the labor market was made by the theory of dual labor market. The basic assumption of the theory indicated that the labor market is diversified both in terms of the demand and supply. Employers are

divided into two sectors: “primary” and “secondary”. In the primary sector there are large companies having strong position on the market and operating in considerably effective segments of the market. Owing to this they employ staff with the highest qualifications and offer the best working conditions for the employees. Persons employed in such enterprises are usually the members of labor unions and have unique qualifications that are precious from the perspective of the employer. Additionally, labor in the “primary” sector facilitates their constant professional development and promotion through the internal career levels, thanks to which their advantage on the labor market is increasing, which reduces the susceptibility to the negative economic changes. The “peripheral” sector is the opposition to the “central” sector. There are mostly micro, small and medium-sized enterprises. Large concentration of competitors makes these market segments usually less profitable. Also the entities are particularly susceptible to the worsening of the economic situation. Therefore, they employ cheaper employees with lower qualifications. They are offered much lower wages, worse conditions and both employment and wage and also worse possibilities of professional development. These differences also incur subsequent segmentation of employees, among others, based on their sex, age and origin. The sources of this phenomenon are searched for in the monopolization processes in economy as well as “responses” of entrepreneurs that have small bargaining power in response to the associations formed by their employees [Reich, Gordon, Edwards, 1973]. As the consequence of the existing diversities in terms of demand on the labor market also employees become two separate groups. As the consequence, the chances for the transfer from the “unfavored” group to the “favored” group become rather small. It happens despite the fact that in these terms there are theoretically no legislative restrictions on the market. However, high demands in terms of the qualifications and stable development of employees in the central group contributes to the fact that the promotion from the “peripheral” group is considerably more difficult. Owing to this there are created hermetic occupational sub-markets – certain “professional corporations”. High barriers of entry contribute to the fact that the free movement of employees from one market into another one is rather insignificant. What is more, the segmentation of the labor market is caused by the issues related to the geographical position of markets (communication barriers, large distances from the place of residence and the worksite) and by the formation of local sub-markets. The response to overcoming barriers is the improvement of the mobility of employees. In turn, state policy on the labor market ought to activate undertakings aiming at ensuring equal chances and further professional development. Owing to this the talents, skills and qualifications of the employees ought to be used more effectively. The education system and lifelong learning are becoming particularly important so that the segmentation of the labor market does not create long-lasting barriers in the access to employment.

Another theory related to the neo-Keynesian mainstream is the theory of efficiency wages. The theory showed that employers ought to combine the increase of wages with the increase of the efficiency of employees. Thanks to it they guarantee (for themselves) the benefits that ensue from better loyalty of employees who will consider their work as decently paid for. By achieving incomes that are higher than average ones in economy, employees additionally have larger motivation and are less inclined to change the job.

In such conditions an employer ensures for himself better position on the market, while his job offers are assessed as the attractive ones and attract valuable candidates for taking the job. However, the labor costs increase, owing to which the chance for increasing employment is smaller; it is especially so because higher efficiency of labor may compensate for the increased demand for labor [*Ekonomia rynku pracy...*, 2007, pp. 62-63]. From the point of view of equal chances this theory does not change the previous views to a large degree. The shift of interest to the issue of wages paid by the employers contributes to the fact that in fact employees compete with one another "in terms of their value", and, in fact, also in terms of the ultimate efficiency of their work. Employers who offer higher salaries than average ones may freely choose among a larger group of candidates, also the ones the employment of whom is supported by the regulations regarding equal chances. In this aspect it appears that the principle of equal chances on the labor market to a major degree realizes the assumptions of this particular concept of the labor market. However, at the same time it is necessary to mention certain similarity of this theory with the *insider-outsider* theory. The employees who already work for such employer have advantage over persons from the outsider because they had the possibility of demonstrating their value and have greater possibilities of development.

6. The concepts of unemployment in the conditions of the labor market equilibrium

Among the theories of the labor market it is necessary to focus also on the theories that responded to the observations of the specific character of market after the oil crisis since the 1970s: unemployment occurs also when the labor market is in the state of equilibrium. These are chiefly the concepts of natural unemployment rate by M. Friedman and E. Phelps as well as *NAIRU*, i.e. *Non-Accelerating Inflation Rate of Unemployment* elaborated in the 1980s and 1990s by R. Jackman, R. Layard and S. Nickell [Jarmołowicz, Knapieńska, 2011, p. 127]. The former concept specified the natural unemployment rate as the rate in which the unemployment level returns after a long period of time. It happens despite state actions that bring only short-term effects. However, in a long time perspective they increase inflation, while the unemployment level returns to the natural level. *NAIRU* theory showed that in economy there is certain unemployment level that does not increase the inflation rate. Its subsequent decrease causes more pressure on the increase of wages. Therefore, further activities reducing the unemployment level below *NAIRU* ought to be based on structural changes [*Polityka rynku pracy...*, 2015, pp. 37-38; Woźniak, 2008, pp. 14-31]. From the point of view of equal chances these theories have not changed considerably the image of the labor market. However, they chiefly indicate that not every labor supply will meet appropriate demand because in the state of the equilibrium there remains a certain unemployment level [Kwiatkowski, 2009, p. 14]. Therefore, one may expect that the graduates entering the labor market may encounter certain problems with finding a job, which, to a certain extent, ought to be perceived "natural" because at the beginning of their professional career they do not

have proper experience from the perspective of potential employers, whereas the level of wages accepted by them frequently does not match the expectations of entrepreneurs. The sources of these problems ought to be sought, among others, in the mismatch between the structure of labor demand and supply (for example, in terms of the type of competences searched for by employers) as well as in the mismatch between the expected wages and those offered.

7. Conclusion

To conclude, the functioning of the labor market is analyzed in a number of theories. Both the classical and Keynesian theories gradually began to draw more attention to the issues of differences on the labor market. It has the consequences for the assessment of the principle of equal chances on the labor market. The concepts of the labor market explain why some employees are “privileged” in comparison with others. Considerable contribution was made by the theories of the dual labor market (*insider-outsider*) as well as by the search theories and motivation wages [Shapiro, Stiglitz, 1984, pp. 433-444]. They also suggest undertaking activities aiming at reducing the differences and thus at facilitating the market mechanism on the labor market. At the same time the principle of equal chances that was formally introduced into the legislative status of the European Union and is realized especially in management practice ought to reduce the disproportions between supply and demand on the labor market, i.e. increase the efficiency of the market mechanism in this segment of the economic system. It is particularly important for persons and social groups that owing to the reasons beyond their control are not capable of competing effectively on the labor market where employment would not be supported by the horizontal policy.

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Professor Marek Proniewski – development of the research concept, carrying out the research, developing results, literature analysis, preparation of the introductory section and the summary – 33%

Paweł Piątkowski, PhD – development of the research concept, carrying out the research, developing results, literature analysis, preparation of the introductory section and the summary – 33%

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