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Review of the book "The philosophy of the labor market, employer power and social responsibility" by Gábor Dániel Nagy

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The labor market philosophy attempts to understand the fundamentals of the labor market as a phenomenon (Nagy 2021). There are two primary participants in the market: employees who provide stock and employers who provide claims. The book focuses on the relationships between employers and employees and their relationship at the macroeconomic and microeconomic levels.

The labor market comprises several components. The labor force participation rate is the number of people willing to work in the labor market. The population of applicants refers to those who apply for a particular job and match their requirements. The candidate pool refers to the people who expressed interest in applying for a position by applying for it. The individuals chosen refer to the people who passed the screening process and were therefore employed. From a macroeconomic perspective, wages are determined by the relationship between labor supply and demand. When supply exceeds demand, wages grow at a slower rate compared to productivity. From a microeconomics perspective, the author points out that individuals supply labor as long as their wages exceed the opportunity of not doing so. Labor demand is determined by the relationship between the marginal cost of production and the marginal revenue of output. Labor market constraints reduce the incentive for firms to hire, as the costs and risks of hiring are high. Trade unions, employee training and qualifications, minimum wage laws, and job-related data all affect the flexibility of the labor market (Knell 2014).

The text highlights that employers are responsible for compensating employees with reasonable wages commensurate with the services they provide. They are engaged in hiring, managing, supervising, and controlling employees, training and development, and ensuring a safe workplace. Providing health insurance is a great incentive for potential employees. They are more likely to work when they are not concerned with the costs of attending to possible health issues. Employers who offer health benefits have more power than those who do not. Further, offering employees opportunities for growth is likely to retain them. Employees also look for job security—an employer who guarantees job security enhances their power in the market by attracting quality personnel (Knell 2014). Employers also increase their power if they engage in social responsibility, ensure a workplace free from discrimination and harassment, disburse compensation on time, enhance safety by providing employees with the necessary protective equipment and emergency services, act in good faith, provide employees with a system that supports a healthy work-life balance, and protects the privacy of employees.

Nagy (2021) points out that the multifaceted nature of the labor market has resulted in a lack of consensus regarding its structure. A review of the literature on the subject highlights a basic understanding of the market as the meeting point of demand and supply to set the price for the labor provided. The market is a means of communication in which buyers and sellers communicate their needs and intentions. The labor market definition is sometimes constrained by geography and time, although it is considered a vital element of a market economy. The market may also be viewed as a social institution in which the human element plays a role in determining social dynamics, such as poverty. From a structural perspective, work security may be inversely proportional to firm size. When making job-changing decisions, workers must balance security, seniority, and compensation. The labor market is unique, given that workers have control over where they direct their productivity. They can also control productivity based on wages. Further, individual workers seeking employment are in a position of information deficiency that employers can exploit in a prisoner's dilemma approach (Liotti 2020).

Further, ILM has been suggested to have evolved from on-job training, customs, and enterprise-specific abilities. ILMs are preferable for managers seeking to retain competitiveness in both the labor and product markets. ILM structures are shaped by workers' need for security and management's need for efficiency. Employees with the same qualities may be treated differently in various areas of the labor market. Job structure, employment conditions, training, career structure, workforce mobility, and recruitment regulations are affected by current technology, market conditions, and industrial structure (Liotti 2020). Even with labor market liberalization, demand differentials across genders remain. Policies regarding formal and informal economies also impact the labor market. Workers in the informal economy have less job security and, therefore, face more uncertainty than their counterparts in the formal economy. A firm may rely on an internal strategy of hiring workers or an external strategy involving subcontracting to meet its labor needs.

Employees are the most valuable asset in the production process. As such, they wield significant power and required effective management to harness it. The relationship between an employee and their manager should be grounded in shared values, conflict resolution, mutual trust, communication, motivation, and participative leadership. Employee relationship management is essential for effectively coordinating inanimate resources to develop a firm's competitive advantage. Employee retention is a precursor to customer retention, and a firm excelling in human relationship management meets the needs of its employees and customers, creating a fertile ground for long-term relationships. The author highlights the research methodologies employed in studies on the relationship between employee relationships and performance. Employee relations are affected by legal systems, socio-ethnic heritage, technology, and financial factors. Employee engagement allows employees to attain a sense of ownership. Employees may also be attracted to a company's culture. Corporate culture can fall into four categories: social, dependable, enterprising, and hierarchical.

The text dives into the McKinsey 7S model, which is an internal control tool for corporate entities. According to this model, seven elements were used to determine success. Three are hard elements, namely structure, strategy, and systems, and four are soft elements, namely skills, staff, shared values, and style (Marcotte 2011). Maintaining an effective balance between the seven elements is essential. Altering one element results in a chain reaction that necessitates altering the others to maintain a desired balance. Communication is an essential component of employee relationship management. The text highlights that communication promotes trust and group activities in the workplace. Another vital component of relationship management is participative leadership. This is essential in demonstrating the shared objectives and values between the administration and subordinates. It is also crucial to develop mutual trust to increase confidence depending on others. Motivation is driven by leadership, reward, working conditions, empowerment, creative thinking, growth and development, and meaningful work. Managing conflicts in the workplace reduces the negative friction caused by poorly managed conflicts. The author also outlines the benefits of employee relationship management on performance and employee results.

Corporate social responsibility comes with the benefits of strengthening relationships with customers and communities. CSR endeavors allow a firm to return to society, benefiting from the community in which it operates. The author examines the CSR activities of various scholars. The CSR approach depends on, among others, the nationality and the industry of focus of the scholar. CSR perspectives oscillate between economic and social models. From an economic perspective, CSR is a way of sharing the value derived from a firm's activities to its communities. Social perspectives are more concerned with changing social situations, such as alleviating poverty (Botsian 2019). Environmental aspects of CSR may be concerned with intrinsic concern for the environment or influenced by the need to internalize a firm's negative externalities.

Society's expectations of corporate behavior have changed. As a result, companies are expected to engage in CSR more often (Botsian 2019).

The author elucidates several limitations of the labor market. Lack of training makes it difficult for employees to enhance their productivity. Lack of permanent contracts reduces job security. A mismatch between the work done and working conditions, as well as compensation, raises well-being issues (see Nagy 2016). An increase in inequality and a lack of business ambition are other issues in the labor market. Employer empowerment may result in the abuse of this power, which deteriorates interpersonal relations. Security and credentials risk, arrogance, high training costs, and little knowledge and understanding are all adverse effects of increased employer power. The author criticizes CSR by pointing out that it is a source of increased costs. CSR also affects the company's profit and may impact professionalism, increase internal conflicts, waste time, and receive negative attention from stockholders and creditors.

The book concludes with future implications for the labor market. Organizations are likely to be decentralized with more personalized employer-employee relationships, and will likely make it easier for women, the elderly, and individuals with disabilities to participate in the labor force, retraining and lifetime learning will receive more attention, and growing wages will reduce the link between fringe benefits and employment (Bratsberg et al. 2018). The future of CSR emphasizes this concept. Legal pressure to enforce CSR may undo progress, since firms engage in CSR as an obligation for compliance. For employer power, the future is likely to involve more scheduled production. The firm can earn higher profits from a more organized production process. Increased employer power may reduce security concerns by enhancing employee training on security, effective management of confidential information, strong access controls, data encryption, mobile device security, and verification of third-party security controls.

Employee training was the focus of this study. Trainers need to stay current on new approaches to handle changes in the labor force. Training should also align with the organizational goals. Employee competencies should also be evaluated based on the training objectives. Training programs should be efficient in terms of financial and human resource utilization to achieve the set objectives. Training reduces employee turnover by allowing employees to be better at what they do. Training is also likely to result in lower utilities, such as electricity costs. Labor costs will also be lower because of the increased productivity and efficiency of employees.

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