

# THE IMPACT OF RESTRUCTURING UPON THE ECONOMIC SYSTEM

Scientific Reseracer: dr. Laurentiu Radu  
Institute for Studies in Social Sciences  
and Humanities "C.S. Nicolaescu-  
Plopsor" – Romanian Academy

**Abstract:** Achieving economic objectives means meeting requirements of efficiency, profitability and profit. Restructuring phenomenon becomes part of the strategic thinking regarding the process of refurbishment and modernization through continuous adaptation to the economic structural changes. This phenomenon that is increasing in many countries, due to the mechanisms of transition to the market economy and especially the recession one, makes it necessary a broader approach in looking for ways to anticipate and manage, so that economic and social impacts to be mitigated by the creation of harmonious and sustainable national structures.

**JEL classification:** F2

**Key words:** restructuring, economic structures, strategies, labor productivity, economic progress

The economic, political and social changes during the transition towards a market economy led to a reorganization of economic activities, through layoffs and reduction of activities, which often generated negative effects upon the population living standard. In the analysis of social life it requires a systemic approach that reflects phenomena of professional or occupational mobility, or of marginalization or social inequality.

The system structure consists of a multitude of items correlated with each other through a relational system that envisages the achieving of overall objective of the organizational process.<sup>1</sup> It is more and more stated that the economic structures are primarily involved in the global crisis, and hence the solving of the major problems facing humanity is conditioned by overcoming the structures crisis. Pressure that economic structures face raises many questions. What are the factors and mechanisms of structural changes? What kind of essential correlations characterize the economic structures? What are the main events leading to the decline in economic structures? This set of questions requires the development of complex and rigorous theories. The phenomenon of growth and especially of economic development appears inextricably linked to a complex of structural changes that occur not only in the cross-cutting relationships, but also in different economic sectors.

The economic development is a form of change and the change involves innovation, which contributes to the economic progress and the evolution of human society. As noted the economist Adam Smith, the right of private property and free market economy are factors that provide the best results at the individual and social level. The economic development strategy should be based on increasing the efficiency of resource allocation, stimulating innovation and competitiveness.

---

<sup>1</sup> Iancu A. (coord.), Structura economiei și sistemul industrial, Editura Politică, București, 1986, p. 20.

In order to make from the analysis of the economy, an operational tool, I would expect a dual approach of the restructuring, giving it a "broadly acceptance" on one hand and, on the other hand, "an acceptance in a restricted sense".

Broadly, the restructuring would be all developments in the economic system – from the company's structure to the structure of the national economy, from the structure of production, of consumption and of distribution to financial, budgeting, institutional structures etc. The assembly of developments in the economic system in the phase of radical transformation in all spheres of political, social life, restructuring aiming not only economic reform, and also change of behaviors, attitudes and habits, developments that involve inherent economic integration in the progress of society in general. In the economic literature has become established the using of term systematic reform that includes revamping and modernizing economy branches and redirecting economic activities, and the development of new economic governance institutions, considering the reorganization of economic agents, restructuring of the decisions system as the financial, banking system and so on.<sup>2</sup>

On the other hand, if we admit that the economic structure can be treated as a exogenous phenomena assembly with respect to all "pure economic mechanisms", then the restructuring regards the actions at the micro and macro economic level. It would be the "narrow sense" of the term restructuring resulting from the overall significance attributed structure which characterizes the relations in time and space. The scope of the restructuring would circumscribe particular actions and interactions that occur in the operation of the national economic system, and organized action space operators.

The process of adjusting economic structures must take into account the requirements and trends worldwide, mostly due to the fact that in all countries great efforts are made to structural changes in the field of technologies, production, organizational system, the qualification frameworks and information system.

Experience of advanced countries has shown many times that it can be emerged from the crisis and can not remove the effects of the economic crisis without major technological changes, without improvements to the unit production, without upgrading products and marketing systems, and generally, without economic structures adapted to new requirements of the markets for raw materials and sale markets. If it is considered the gap between Romania and other developed countries regarding the level of development and of the technology, it is obvious that the task of line change and modernization structures is larger and more difficult for our country, but fully achievable.

There is, nonetheless, a prerequisite: to accompany the material and human effort in development strategies provided a greater and more sustained focus on line promotion of new economic mechanism, to accompany and support policy of adapting economic structures, based on the economic efficiency criteria to be evaluated according to the real possibilities of the national economy and global economic developments. To the same aim, there is a need to adapt adequately the structures of organizational, legal and those of people's behavior. They should fully meet the needs of printing an increased mobility and economic structures of our country to align to structures of the oldest countries of the European Union.

---

<sup>2</sup> Institutul Național de Cercetări Economice (National Institute of Economical Researces) Costin C. Kirițescu, Tezaur, Academia Română, București, 1991, p.38.

Operation and at the same time transforming the economy involves a great interdependence between structure and behavior. Thus exceeding the conception of the physical structure of the economy, restructuring could be addressed through the intervention of operators. Economical activities are not done spontaneously, but under the action and control of operators that directs and guides through the decisions needed to meet certain requirements of efficiency, cost, profit, etc. Operation and transformation of economic structures reveals that interdependence between structures and behaviors. When structures are real, they can be considered behaviors - especially the behavior of interrelations. When structures are objectives to be achieved, they require operators acting on the behaviors and not indentifying with them.

During the transition to a market economy it is necessary, in the opinion of most of the specialists, restructuring economic mechanisms in the same way as with the legislative and administrative restructuring. Any delay in the economic and financial restructuring determines immense harm from at least two reasons: on the one hand, international competition is tightening, and on the other hand, the generated adverse selection will cause further structural distortion.

The structure of national economies experienced an evolutionary process characterized by a lot of features and, therefore, there is no ideal structure, a general model to adopt. This structure was formed over time in relation to certain specific conditions, under the influence of certain factors that may be endogenous and exogenous.

Into the category of endogenous specific factors there are concrete conditions of each country which provide the basis of a harmonious development. Exogenous factors should not have an excessive influence, in order not to cause deformed structures, inconsistent with the national interest. Given that, in a specific international context, there are respecting the sovereign right of each state to establish its own economic priorities through the development of international cooperation, their role and they can help improving the appearance of creating favorable conditions for harmonious national economic structures.

The global economy evolution and the accompanying structural change involves three series of events that causes as many structural transformations in the states economies: the first refers to the number of events to move the location of economic activities from one area to another; the second is the rise and fall of economic sectors; the third is the ever closer integration of national economies and the impact of external forces on welfare.<sup>3</sup>

For our country economy, stands at present, the problem of a structural change and large expanses: faster development of agriculture to increase production of agricultural raw materials for industry, improving the structure of industries that, especially developing industries with low energy consumption, high value products and so on; the introduction of new technologies and new products of superior performance that reduce consumption of energy and poor raw materials, that contribute to raising productivity and have a high degree of safety. Changing certain structures entail necessarily change in different proportions to other structures and is therefore very important to analyze concrete and related structures of all components, change and transform them for consideration of their entire complex decision documents on economic structures. Also, in connection with structural improvements, the question

---

<sup>3</sup> Gilpin R., *Economia politică a relațiilor economice*, Editura DU Style, București, 1999, p.142.

arises as to harmonize them with the trends and demands of the global economy, particularly assimilation line technical progress at a pace appropriate requests to the external market and towards ensuring sources supply fuel and raw materials and manufactured goods market opportunities. Besides the requirement to ensure the technical level and quality of products offered for export, it also raises the issue of permanent actions and stabilizing trade relations and cooperation on line production, supply and sales by making direct investments in companies on national territory and in other countries, in terms of ensuring mutual benefits and economic and political interdependence of the country.

Adapting production structures to the new technological and organizational requirements must be actively supported on the economic structures and legislative bodies' mechanism. Goals may remain mere attempts to adapt production technologies, professional structures etc., if all other structures remain unchanged.

Modeling the structure of the economy must be based on the structure and volume of resources, their degree of availability. The training and development of branches start, primarily from concrete realities and possibilities offered by their natural resources, changes in components of the factors of production resources in international trade easily affordable prices. Any new productive force, insofar as it is not a mere quantitative expansion of productive forces already known, can cause structural changes or new development of division of labor.

The structure of the national economy in its transition process is constantly subject to factors change, so realistic and sustainable solutions cannot be developed without profound changes both conceptual and categorical ones in structures of economic thought. Because of the fact that between the notion of structure and economic development are closely connections, the latter being defined and explained just by altering structural characteristics, it arises the need for a theory to solve practical problems hurry, really realistic and necessary restructuring of economic development. It is about a revolution in economic theory and practice structures, including the structures of the global economy.

Manifesting in a specific manner from one country to another, the structural changes that lead to changing macroeconomic level specialization have generally a common denominator, namely the pronounced intensity of the trial in the assembly industry and some of its component industries, with notable influence on other areas of economic activity.

Therefore, structural changes are, by their very nature, fundamental to the whole question. If macrostructure represented a certain angle by the ratio of the sectors of the national economy provides a quantitative picture of their participation in the achievement of economic growth, mesostructured is one that has the ability to stimulate growth.<sup>4</sup>

In the meaning given to restructuring "in a restricted sense" as a set of actions at all levels of the economy, the economic structures as objectives involve actions and reactions of economic agents through a complex network can help in issuing bonds, perpetual or slower transformation or rapid economic structures. Examining the economic structures of each one and the correlations between them, we can deduce the

---

<sup>4</sup> Iancu A, and staff (1986) „Structura economiei în sistemul industrial”( Economic structure in industrial system) Editura politică, București: Rusu C. and staff (1990).

type and size of economic activities, insisting that operational component of the restructuring process, the set of actions addressed at micro and macro level. Emphasizing this approach is necessary because under conditions of acute need for essential changes to modernize our economy, restructuring can not be addressed only as a conscious process. Privileging the functional assays, and may have a number of appropriate reasons. Economic history and facts of the market economy countries show that the economy works and grows as a result of both the mechanisms objectives and mechanisms developed that economic actions and behaviors generated by decisions at the micro and macro level.

Regarding the overall restructuring actions at micro and macro level, I believe in setting economic policies and measures would be beneficial to privilege changing economic structures, financial and institutional, on the one hand, the creation of markets and other part, for the development of new instruments for economic policy.

As a summary of the issues presented, restructuring means new proportions in the real economy and monetary reform systematic microeconomic environment and creating new tools for solving problems of macroeconomic national vocation, of global issues beyond the horizon and microunităților possibilities, but also to influence their behavior favorarea structural changes.<sup>5</sup>

Restructuring should not be understood solely as a requirement of the current period, but as a necessity to the overall development of the economy. It involves not only correcting the distorted structure of a supercentralizare irrational, but adaptation of the structure to changing economic environment. If the structure is a state restructuring is a process and therefore requires a dynamic vision addressed, taking into account factors, time and cost. Bear in mind that if nothing is done in time for the formation of the corresponding structures of desirable trends, social costs can be very high. It is also necessary to take into account that these structures can be formed by a dirigiste system, but they are formed by all processes currently taking place in society.

If in developing economic growth countries it is achieved mainly through increased consumption of fixed capital investment funds, raw materials and energy, which has the effect of reducing the specific consumption of labor in countries developed that have high scientific and technological potential, the focus is in particular on reducing energy- and material - intensity, intensity. Structural changes present the special importance from the point of view of the drive resources, of their consumption. While the secondary sector development involves significant increases in raw material and energy consumption, the need for investment and skilled labor, the development of the tertiary sector and particularly of the Quaternary one relax more energy consumption and raw materials and calls a larger volume of scientific and technological creation, which positively infleunteaza raising resource efficiency.

Currently, in Western countries, due to the increase of technical equipment and to make efficient use of energy resources in agriculture and services, under the impact of industrial development, there is a tendency of rapprochement between economic sectors in the level of labor productivity. The evolution of the relationship between industry and agriculture, to one of the non-agricultural sectors and agriculture generally has implications not only on the efficiency of various resources, but also, more widely,

---

<sup>5</sup> Institutul Național de Cercetări Economice (The National Institute of Economic Researches) Costin C. Kirițescu, Tezaur VI, Academia Română, București, 1991, p.42

the basic components of quality of life, income size the level and structure of individual consumption, food and non-food grade insurance needs of health services, education and cultural and cost of services, quality of environment and pollution levels etc. This manner of approach, the change ratio between agriculture and other sectors is studied through the impact on quality of life components reveals another dimension of the agricultural sector that its importance is much greater than that which refuses direct contribution analysis the achievement of social production and economic growth.

In Romania industries and economic sectors have been ranked artificially, which had repercussions in various areas of economic life: targeting investments and technical equipment, depreciation, wages, labor preparation, delivery prices, how lending supply of raw materials and energy in the country and foreign market, the distribution of financial results etc. At the beginning of transition to market economy in the economic system there is a set of blocked connections that generate a state of economic stagnation or even regression. Regarded as a subsystem of such a kind of national economy, agriculture and rural areas generally neglected, shows, compared with developed countries, some features of underdevelopment: low per capita production, low levels of mutation, the level of comfort and civilization, trade, labor underutilization of capacity, etc. Therefore, the unsatisfactory development of agriculture is a component of inadequate economic and social development.

In countries where the economy is based mainly on agriculture, agricultural underdevelopment may account for the general subdezvolatării. In our country, however, it can be considered that the defect development industry is the main cause of failures on the economic and social development plan. Under these conditions, the overall restructuring of the industry has been a very complex process and long-term rapid transformation of agriculture should be considered a priority for economic development.

The main source of bottlenecks in economy is the vicious circle which has as its starting point the low level of productivity. There are many arguments that this vicious circle can be broken more easily than in the case of agriculture industry: the liberalization of prices and the change of ownership forms.

In agriculture can be produced a jump in incomes, which will generate an increased possibility of saving, the relatively lower specific investment and recovery period, increased opportunities to raise capital, both domestic and foreign, due to a risk lower for investments in agriculture and its related industries than in extractive and heavy industry, the existence of relatively rich agricultural resources untapped properly, there is a significant number workforce which does not require spending too much skill, specific energy consumption and scarce raw materials relatively small, easy penetration in foreign markets for agricultural products, etc.

In order to ensure the success of this process, with multiple implications, including social, rapid awareness is necessary not only of economic companies, but also of the entire population, the necessity and inevitability of restructuring. Regarding the modalities of economic restructuring, we consider the way investment appropriation and non-investment path. The first way targets the sectors that are cost effective and efficient. Of course, allocation and utilization of investment will not be made administratively in the past, but in a new, beleaguered market economy requirements, attributing due weight to both technical aspects and especially the economic one, which becomes decisive in new conditions. The second way is considering a partial or total shutdown of sectors, the dismantling of permanent or

temporary capacity or objectives. The first way can be implemented through the market without the need for a mechanism or a specialized institution focusing investments to profitable sectors attracted large and rapid gains. Non-investment path requires competent and careful analysis and some time to implement, due to spillover effects, directly and immediately unnoticeable, especially in stages where operators have not been able to replace government policy. Typically, restructuring action is associated with a component of it, namely, the refurbishment. It is assumed that due to the lack of real opportunities to implement new technologies, at least in a first stage of restructuring, upgrading will have a special role. Our industry, without being very modern, has a number of important capabilities that the relatively small investment could ensure production system in good conditions.

Restructuring effects as mentioned in the European Commission Report in December 2013, requires the implementation of measures to encourage employees, social partners and regional and national agencies to follow best practice in anticipating change and restructuring. The cover issues such as long-term strategic monitoring of market developments, continuous mapping of jobs and skills needs, and measures to help individual employees by retraining and assistance to facilitate easy finding new places employment.<sup>6</sup>

It should be considered that the restructuring through the contraction of some branches, businesses, capacity will contribute to rising unemployment. Economic restructuring has made much of the urban population shift to focus on rural areas where agriculture but here are the major investment required. In turn, refurbishment, as part of the restructuring had the same effect and in these conditions, it is assumed that the medium term will be creating new jobs and, therefore, will be to pay more attention tertiary sector.

Any change in an organization can have a major impact on labor relations, that's why there are necessary anticipatory and management measures in order to improve the negative effects such as: collective redundancies, temporary unemployment or reduceing of certain activities. However the process of modernization and adaptation is necessary for any business to remain competitive on a market where competition is becoming increasingly bitter.

## REFERENCES

1. Iancu A. Structura economiei și sistemul industrial, Editura Politică, București, (coord.), 1986
2. Costin C. Institutul Național de Cercetări Economice (National Institute of Kirîtescu, Economical Researces) Tezaur, Academia Română, București, 1991
3. Gilpin R., Economia politică a relațiilor economice, Editura DU Style, București, 1999
4. Iancu A, and „Structura economiei în sistemul industrial”( Economic structure in staff industrial system) Editura politică, București, (1986): Rusu C. and staff (1990).
5. \* \* \* Cadrul de calitate pentru anticiparea schimbărilor și restructurarea companiei (Quality framework for anticipating changes and company restructuring), <http://www.eurofound.europa.eu/eiro/2014/01/articles>

---

<sup>6</sup> Cadrul de calitate pentru anticiparea schimbărilor și restructurarea companiei (Quality framework for anticipating changes and company restructuring), <http://www.eurofound.europa.eu/eiro/2014/01/articles>