

ACTIONS TO REDUCE UNEMPLOYMENT IN ROMANIA

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Abstract: Globalization involves the gradual integration of economies and societies. Due to globalization were set up job quality and adequately paid in regions of the world where survival of the population was carried out mostly on agriculture. Globalization has created benefits unevenly distributed between countries and even within them. Unfortunately economic integration worldwide had unbalanced and unfavorable results of certain regions, sectors or workers. Only insofar as it provides a more equitable social development for all, globalization is truly sustainable.

European society is changing is influenced by various factors, among which technological progress, globalization of trade and population aging.

As regards employment and equal opportunities employment policies shall contribute to improving the living conditions of citizens, the objective being sustainable growth and greater social cohesion. In this respect the European Union introduced a legal framework aimed at protecting citizens.

Policy of the European Union and Romania embraced priority aims high employment of labor, increased mobility, improved working conditions and better quality jobs, increased information and advice workers, finding solutions combating poverty and social exclusion, equality between men and women and ensuring modern social protection systems.

JEL classification: E20, E24

Key words: unemployment, labour market, market economy, working population, employment rate

1. INTRODUCTION

To be out of a job means not to work officially, i.e. the absence of a job for a period of time. Inactivity may also be however the individual will resultant, with a subjective motivation. Consequently, unemployment can be voluntary and involuntary¹. Referring to voluntary unemployment, Keynes believes that this is due to labour bearer's refusal and inability to accept a fee corresponding to the equilibrium wage. This refusal is based on certain statutory provisions, on social usages or on accords for negotiating collective agreements. This type of unemployment exists only for those who want a wage higher than the market as a form of expression of the demand – job offer. In contrast, involuntary unemployment designates the specific condition of

¹ Ghe Pirvu, Macroeconomics, Universitaria Publishing House, Craiova, 2004, p. 198

unemployed persons who, although desire to work for a lower real wage, they cannot find available jobs².

2. POLICIES AND MEASURES TO COMBAT UNEMPLOYMENT

The rational employment is one of the essential objectives of economic policy on the national level, without affecting the economic agents- sellers and labour users' decisions. The need of state involvement in labour market management derives from the economic functions which it performs. Involvement is achieved through direct and indirect actions and aims to stimulate the creation of immediate jobs. Limiting the state intervention in the labour market results from the fact that in the economy the most activities are in private ownership, the content and level of these activities being freely determined by the owners, the governments having the role of developing national policies for employment³.

Economic policies which boost domestic investment, increase the production and the economic growth generally have as immediate implications the integral utilization of labour.

In this regard, we remember as concrete measures:

- Increasing government spending;
- Increasing households' net income;
- Actions to promote sales with effects on domestic demand growth;
- National currency depreciation;
- Protectionist policies (increased duties on some imports and customs duties applied so as to equalize the import price with the domestic prices for goods of the same kind);
- Establish flexible wage rates through better cooperation between trade unions and employers;
- The method of students' school extension and the employees' early retirement has proven over a period of time as a non-effective and expensive measure;
- Creating jobs shorter than 8 hours for a post to be occupied by two persons.

Active policy measures for reducing unemployment:

- Working time flexibility, flexible wage rates by economic circumstances;
- The employees' training / retraining for finding a job;
- Improving education at all levels;
- Improving the youth's educational and vocational guidance;
- Stimulating the active persons' mobility towards new jobs;
- Ecological activities extension;
- Earned profit reinvestment for creating new jobs;
- Scientific research development to support the production.

In many cases, active measures have the effect of increasing the number and intensity of labour market barriers, increasing the unemployment. Eliminating all the labour market barriers (labour law specific rules) would result in the elimination of all forms of involuntary unemployment, increasing competition among employees for the best jobs (higher wages and working conditions), increased competition among employers for the best employees, the effects being the work productivity increase, the

² J.M. Keynes, General theory of using labour, interest and money, Scientific Publishing House, Bucharest, 1970, p. 44.

³ Ghe Pirvu, Macroeconomics, Universitaria Publishing House, Craiova, 2004, p.203-204

bureaucracy reduction, the population's real incomes increase and it would stimulate people's desire to train.

3. ACTIVE LABOR MARKET MEASURES IMPLEMENTED IN ROMANIA

Active measures are key measures that have the effect of reducing unemployment. These active (anti-unemployment) policies or measures have effects on short, medium and long term. An active measure has as effect the employment increase either by creating new jobs or by facilitating the access to job vacancies.

The most important active measures applied by the authorities were:

Entrepreneurial associations of unemployed

Short-term objectives of this action are materialized in providing work opportunities on their own for the potential unemployed people and on long term in job creation, private sector development.

Job Club

Creating a Job Club provides the ease of access to jobs and the reduction of long-term unemployment, on short-term it supports those looking for a job.

Business Incubator

As long-term goals we can remember supporting the people who want to develop small businesses to create new jobs, private sector development and on short term it is focused on jobs creation.

Labor mediation

It does not intend to create jobs, but to facilitate the access to existing jobs. Labour mediation has as objective to facilitate the access to jobs and the unemployment reducing as well as the job supply and demand correlation (in DG Employment and Social Protection Bureau there is a labour mediation that keeps a record of vacancies providing information to applicants).

Professional training of the jobs required on labour market

The professional training is a classical measure to combat the unemployment. For supporting the unemployed and those who desire retraining, particularly the unemployed training courses are reorganized.

Community services

The objectives of such measures is focused on developing a sense of belonging to a community and on short term it refers to the creation of services and facilities for the community, providing jobs for some groups .

Subsidies for jobs created for the unemployed by employers

Long-term objectives are to stimulate employers to hire disadvantaged unemployed, to create jobs and on short-term it materializes in facilitating access to employment for disadvantaged unemployed.

Response services in the event of massive staff vacancy

Job fair

It offers the possibility of those who request and those who offer manpower to meet directly and to present the offer.

Support for small businesses

SME sector is among the fastest growing sources of job creation. Services dedicated to this sector development can substantially contribute to balance the supply and demand balance for labour. These services are focused on:

- business consultancy;
- entrepreneurial training;

- giving improved interest loans.

Facilitating the transition from school to labour market

The objectives of such active measure on long-term are: preventing youth unemployment and the short-term effect is the future workforce entrepreneurship development from school.

Labour market information and documentation

To achieve these active measures, necessary resources embodied in space, equipment, personnel and financial capabilities are necessary.

4. EVOLUTION OF THE MAIN SOCIAL INDICATORS IN THE TRANSITION PERIOD

Demographic trends, especially population aging, as well as reducing active population rate led to significant changes in terms of economic dependency ratio, being observed in the increasing number of people who depend on the population contributing to social security and the state resources establishment.

In Romania, in 2000, male activity rate was obviously higher than female activity rate (57.5% vs. 46.5%), the latter being on the level attained by developed countries, signifying women's substantial participation in social and economic activities.

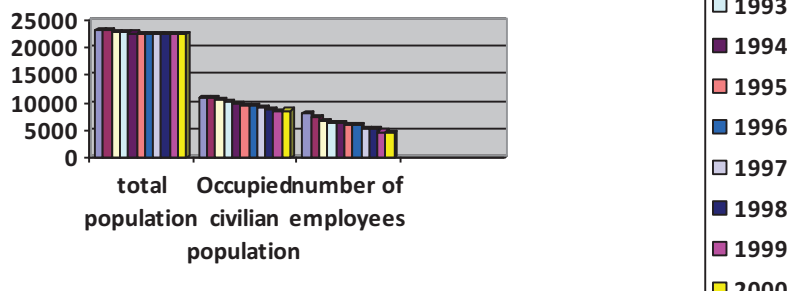
Indicators of potential labour in Romania between 1990-2000

Table No 1

| YEAR | INDICATORS | | | |
|------|------------------------------------|--|---------------------|----------------------|
| | Total population (thousand people) | Occupied civilian population (thousand people) | Number of employees | Gross occupancy rate |
| 1990 | 23206,7 | 10839,5 | 8142,2 | 46,7 |
| 1991 | 23185,1 | 10786 | 7483,5 | 46,5 |
| 1992 | 22789 | 10458 | 6627,4 | 45,9 |
| 1993 | 22755,3 | 10062 | 6385,3 | 44,2 |
| 1994 | 22730,6 | 10011 | 6200,6 | 44 |
| 1995 | 22681 | 9493 | 6047,7 | 41,9 |
| 1996 | 22607,6 | 9379 | 5893,9 | 41,5 |
| 1997 | 22545,9 | 9023 | 5399,1 | 40 |
| 1998 | 22488,6 | 8813 | 5181,6 | 39,2 |
| 1999 | 22455,5 | 8419,6 | 4761 | 37,5 |
| 2000 | 22435,2 | 8629 | 4623 | 38,4 |

Source: Yearbook 2001, National Statistics Institution

Indicators of potential labor in Romania between 1990-2000



Source: Yearbook 2001, National Statistics Institution

Figure no. 1

In terms of grouping people on the three sectors of activity, Romania presents an unfavorable structure with a large and growing proportion of the working population in the primary sector and with a relatively low share of services. Given the fact that industry competitiveness is difficult to obtain due to the high costs that are involved, the Romanian economy chance would be the services sector accentuated development to offset the GDP value fall due to the industry and construction sector size diminution.

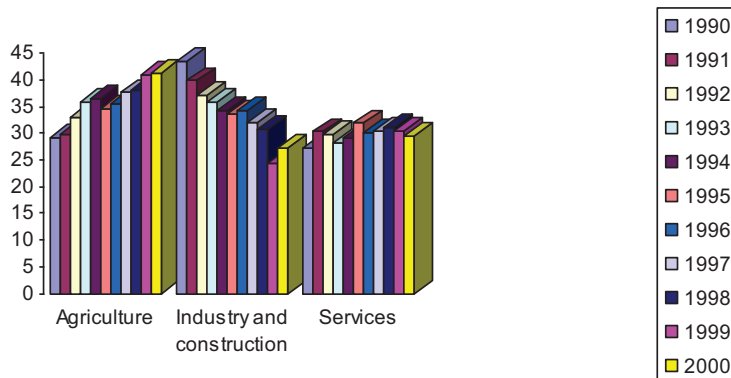
Occupied civilian population structure in Romania, the economic sectors in 1990-2000

Table No 2

| YEAR | ECONOMIC SECTORS | | |
|------|------------------|---------------------------|----------|
| | Agriculture | Industry and construction | Services |
| 1990 | 29,1 | 43,5 | 27,4 |
| 1991 | 29,8 | 39,9 | 30,3 |
| 1992 | 33 | 37,1 | 29,9 |
| 1993 | 36 | 35,8 | 28,2 |
| 1994 | 36,5 | 34,4 | 29,1 |
| 1995 | 34,5 | 33,6 | 31,9 |
| 1996 | 35,5 | 34,3 | 30,2 |
| 1997 | 37,6 | 32 | 30,4 |
| 1998 | 38,1 | 30,7 | 31,2 |
| 1999 | 41 | 24,4 | 30,4 |
| 2000 | 41,3 | 27,3 | 29,4 |

Source: Yearbook 2001, National Statistics Institution

Occupied civilian population structure in Romania, the economic sectors in 1990-2000



Source: Yearbook 2001, National Statistics Institution

Figure no. 2

Occupied civilian population structure on sectors of the economy is anachronistic, risky (see Table 2), reflecting simultaneously: the process of industrialization and employment reagrarization, the service sector modest capacity to absorb and retain a significant part of the available population from the industry.

The registered unemployed number increased significantly in 1992, with the transformations involved in the transition from planned economy to market economy. The phenomenon continued its upward curve until 1996, when it reduced significantly, then resumed its upward trend, this phenomenon continued until 1999 due to the acceleration of privatization, restructuring and liquidating the enterprises, the unemployment rate reached a maximum of post-December period, 11.8%. In the last two years, due to some macro stabilization, to economic growth as well as to implemented social policies the unemployment changed its evolution, moving to a downward trend so that at the end of 2001 the number of registered unemployed was 826,932 persons, representing a rate of 8.6 %.

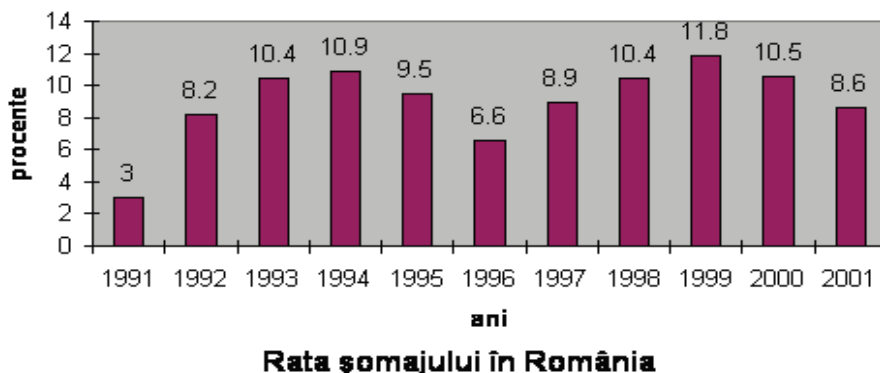
Unemployment evolution in the period 1991-2001

Table No 3

| YEAR | INDICATORS | | | | |
|------|------------------|----------------------------------|---------------------------------|-------------------|-------------------|
| | Total unemployed | Unemployment wages beneficiaries | Support allowance beneficiaries | Unpaid unemployed | Unemployment rate |
| 1991 | 337440 | 265978 | — | 71642 | 3% |
| 1992 | 929019 | 602957 | 239642 | 86420 | 8,2% |
| 1993 | 1164705 | 549785 | 516059 | 98861 | 10,4% |
| 1994 | 1223925 | 504284 | 564066 | 155575 | 10,9% |
| 1995 | 998432 | 317142 | 457079 | 224211 | 9,5% |
| 1996 | 657564 | 202233 | 594457 | 95874 | 6,6% |
| 1997 | 881435 | 438044 | 217959 | 225432 | 8,9% |
| 1998 | 1025056 | 402980 | 390038 | 232038 | 10,4% |
| 1999 | 1130296 | 386517 | 445992 | 258475 | 11,8% |
| 2000 | 1007131 | 307065 | 391932 | 255220 | 10,5% |
| 2001 | 826932 | 245427 | 286214 | 219242 | 8,6% |

Source: Yearbook 2001, National Statistics Institution; Report A.N.O.F.M. for 2001

Unemployment in Romania

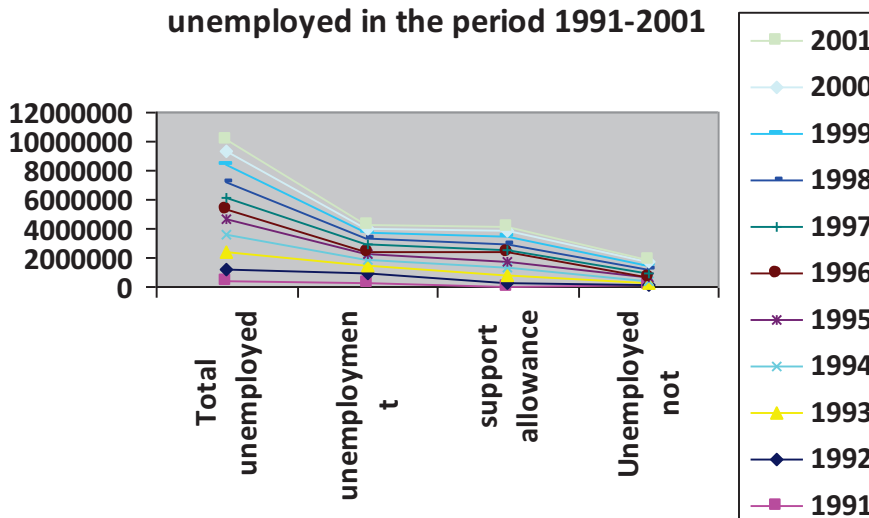


Source: Yearbook 2001, National Statistics Institution; Report A.N.O.F.M. for 2001

Figure no. 3

Unemployment distribution on education and training level reflects a high concentration of the phenomenon for the persons who have completed upper secondary education as well as the vocational and apprenticeship one; being followed, in order, by gymnasium and primary education graduates and those without graduating a school. The number of unemployed with university education is low, both in total and by gender. Distribution is generally kept throughout the period 1991-2001.

Evolution of the number of registered unemployed in the period 1991-2001



Source: Yearbook 2001, National Statistics Institution; Report A.N.O.F.M. for 2001

Figure no. 4

In 2000, the unemployed population structure according to the education level was as follows: unemployed with higher education - 3.7% unemployed with post-secondary education and technical foremen - 2.7% with high school - 40.9%, vocational school and apprenticeship - 29.7%, gymnasium - 17.9%, primary school - 3.8% and

without graduating- 1.3%. The unemployment average duration in 2000, recorded a decrease in regard to the previous years, being of 16.0 months compared to 17.8 months in 1996, with significant differences by age groups: 12.5 months for unemployed of 15-24 years, 17.3 months for those aged from 25 to 34, 18.7 months for unemployed of 35-49 years and 20.3 months for those aged 50 and over. The highest risk for long-term unemployment is presented, therefore, by people over 50, who are generally harder accepted by employers and who are less open to various forms of retraining, which eventually would facilitate their professional reinsertion.

The period 2009 - 2010 was marked by the negative effects of the economic crisis on the labour market, but the impact on the occupancy level was not very dramatic. The employment rate of working age population (15-64 years) decreased in 2009 by only 0.4 percentage points compared to 2008 (from 59.0% to 58.6%), according to Eurostat⁴.

Evolution of the employment rate (age group 15-64) in the period 2002-2012

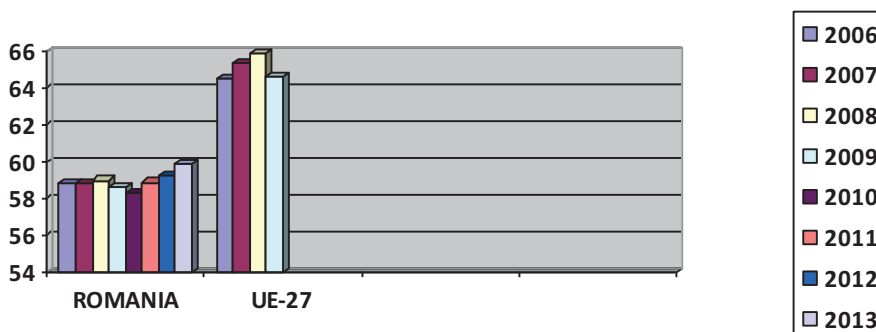
Table No 4

| Occupancy 15-64 years | 2006 | 2007 | 2008 | 2009 | 2010* | 2011* | 2012* | 2013 |
|-----------------------|------|------|------|------|-------|-------|-------|------|
| Romania | 58,8 | 58,8 | 59 | 58,6 | 58,3 | 58,9 | 59,3 | 59,9 |
| UE-27 | 64,5 | 65,4 | 65,9 | 64,6 | | | | |

Source: Eurostat 2006 – 2009

* Estimated National Prognosis Commission 2010 - 2012

Evolution of the employment rate (age group 15-64) in the period 2002-2012



Source: Eurostat 2006 – 2009

* Estimated National Prognosis Commission 2010 - 2012

Figure no. 5

In difficult conditions caused by the financial and economic crisis, Romania has managed to maintain unemployment at a bearable level, the data for the unemployment rate in 2009 were of 6.9% (with 1pp above the level recorded in 2008), and the estimation for the entire year 2010 is of about 7.4%, the unemployment rate in Romania is constantly hovering below the EU-27. The National Commission for

⁴ EU statistical office - Eurostat

Prognosis estimates a downward trend of the ILO unemployment rate within 2011-2013 (from 7.2% in 2011 to 6.8% in 2013).

In the case of recorded unemployment (NEA), the annual average was of 6.3% in 2009, 2.3 percentage points higher than in 2008. The significant increase in the registered unemployed number in 2009 was accompanied by reversing the ratio between the paid and unpaid unemployed, the paid unemployed growth causing important pressure on the unemployment insurance budget. In 2010, the unemployment rate ranged from 8.36% in March and 6.87% in December.

5. CONCLUSIONS

Unemployment, through its size and duration has negative consequences both on each person affected by this imbalance and on the whole society. "Unemployment matters - Richard G. Lipsey emphasized. It reduces the aggregate production and income. The inequality increases as unemployed loses more than those who work. It erodes human capital. And finally, involves psychic loss. People need to be desired. Although unemployment increases leisure, this gain is largely offset by the pain of rejection"⁵. "Unemployment produces among the affected people indifference and depression, being more than a matter of money. Work gives everyone an occupation, the lack of work generates on the part of certain individuals acts of violence, vandalism, hooliganism, it increases the crime rate. Unemployment leads to advanced social degradation and to existence in squalid conditions of the involved families"⁶.

The main challenge facing Romania in the labour market is the low level of participation (activity rate). In 2009, the activity rate among people between 15-64 years old was only of 63.1% in Romania, compared to 71.1% which was the EU-27 average. Similarly, the employment rate for the same age group was, in 2009, 58.6% in Romania to 64.6% in the EU-27. This is determined by the level of activity and thus by lower employment among women reporting a difference of about 15 percentage points between the employment rate of men and of women. Young people face an unemployment level of about three times higher than adult unemployment.

From the perspective of national strategic framework and the Europe 2020 Strategy, the priority is to increase the employment rate of the labour force, which can be supported by improving professional skills, promoting occupational mobility and reducing the incidence of social exclusion through the social policy active approach. National policy objectives in employment domain is correlated to the priorities and specific targets set by Europe 2020, the 2020 national target being to achieve a 70% employment for people aged from 20 to 64.

The overall objective of increased employment of labour in Romania will be pursued within 2011-2013 through a series of action strands oriented on facilitating the transition from unemployment or inactivity to employment, improving the workforce professional skills and promoting labour mobility.

⁵ Lipsey G. Richard, Crystal K. Aleck, Principles of economy, Economica Publishing House, Bucharest, 2002, p.691.

⁶ Hardwich Philip, Langmead John, Khan Bahadur, Introduction to political economy, Polirom, Iasi, 2002, p.599-600.

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