

# Analysis of Unemployment in Romania During 2007-2011

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## Abstract

The main purpose of this paper is to make an analysis of unemployment in Romania, as market labor imbalance between 2007 and 2011. The necessity of the work is given by the complex evolution of unemployment phenomenon depending on a multiplicity of economic and social factors. Strategies for combating unemployment and stimulate employment must be build upon the main objective established in the market labor of Romania: development of human resources and increase it competitiveness on labor market, by assuring equal opportunities for lifelong learning and developing a new labor market.

**Keywords:** *Unemployment, unemployment rate, unemployment consequences*

## 1. Definition of unemployment

Originally, the concept of unemployment is synonymous with “inactivity”. The word “unemployment” in Romania comes from the French word “chomage”. In turn, this derives from the Latin “caumare”, which comes from the Greek “cauma”, that means “high heat”, that cease any activity.

Explanatory Dictionary of Romanian Language defines unemployment as economic phenomenon caused by crises or economic recessions, manifested by forced inactivity of a big number of employers, due to the gap/mismatch between labor demand and supply; the situation of one who cannot be employer due to inability getting a job.

Unemployment shows an unbalanced labor, in the sense of a surplus of labor supply over labor demand. Regarding forms that stands out, it should be noted that in the beginning, only recognizing there is voluntary unemployment, given by the refusal of people in getting a job because they consider that the work conditions and wage not adequately reward the efforts that should be made while providing work, voluntary unemployment percentage is known- according to some definitions- as a natural rate of unemployment. During the '30s, J.M. Keynes noticed the existence of another type of unemployment, named involuntary unemployment, represented by those who, although they would accept existing conditions on labor market, failed to engage due to impossibility in finding a vacancies jobs.

Separation of voluntary and involuntary unemployment is one of the major controversies in economic theory. Keynesian economists said that the large part of unemployment during economic crisis of the '30s and '80s were due to demand deficiency, so it is involuntary. On the other hand, classic economists of rational expectation theory assumed that labor market immediately adjusts unemployment growth, by reducing wages. From their point of view, in the '30s were enough jobs, but workers refused its. Unemployment during economic crisis was voluntary, maintaining its natural rate.

## **2. Statistical indicators of unemployment**

Unemployment is characterized and determined using the following indicators (Ştefan, 2009):

a) unemployment size- can be absolute, by the number of unemployed and relatively, by unemployment rate which is calculated as a ratio between the number of unemployed ( $P_s$ ) and reference population ( $P_n$ ) (usually, active population).

$$R_s = P_s / P_a \times 100 \quad (1)$$

The unemployment rate represents the number of unemployed relative to available labor force in a country. It reflects the capacity to absorb, or reject the work in terms of volume, structure and its qualification at different times.

b) unemployment intensity- means stoppage of activity or reduction, depending on which unemployment can be: totally – losses of jobs and stoppage of activity, partially- reduction of activity, by reducing time working under the law, while decreasing reward and disguised- the practice of hiring illegal occupations. Unemployment disguised has a large scale in developing countries, where millions of people have a poor employment, with low productivity, that places them as non-employment.

c) unemployment duration – is the period of time between the date of loses job and reemployment. Calculated as average over periods of time that individuals have been continuously unemployed, this time had a different increasing trend in countries and historical periods (from 18 to 24 month).

d) unemployment structure - classification of unemployed according to certain criteria: age, qualification level, socio-professional categories, sex, race, etc.

Whatever form it takes and generating causes, unemployment is analyzed from statistically point of view, indicators that consider two types of it:

- absolute indicators;
- relative indicators.

Absolute indicators or level indicators refer to the number of unemployed. They are expressed in “people” (“thousand of people”) and is determine for certain reference periods: monthly, quarterly and annually. The number of unemployed is also calculated with certain demographic variables, such as: age, sex, marital status, but also taking in consideration professional trading, level of studies and territorial distribution. A special feature regarding unemployment analysis is the duration of it. From this point of view, is identified a short unemployment (under 1 year) and a long unemployment (more than 1 year).

Unemployed, the second component of active population, is an economic category for which definition has raised many approaches. In Romanian statistics, effective unemployed is determined in two ways:

- unemployed registered as people who said that in the reference period were registered at Labor and Unemployment Offices, whether they received or not support allowance, unemployment benefits or other forms of social protection;
- BIM are people aged 15 years and who during reference period satisfy the following conditions: are able to work, don't have a job, and don't have any activity in order obtain profit, are looking for a job (using in last 4 months different methods to find one), and are available to start working in the next 15 days, even if they would immediately find a job.

The unemployed category also includes people without a job, available to work, waiting to be recalled or found a job and will start working at a later reference period date; and people who usually take part from inactive population (students, pensioners) and declared that they are looking for a job and are available to start working.

Relative indicator which considers the intensity of unemployment is one of the most important macroeconomic indicators: unemployment rate. As we shown before, unemployment rate is determined by dividing the total number of unemployed to active population and expressed as a percentage. The level of unemployment rate and its evolution is one of the elements according to which it takes certain social protection measures or economic policy decisions. Specifically, this indicator can be determined in various ways. Computing relations may vary in practice, depending on national law or available information. Differences that appear are determined by elements such as:

- terms of reference and it refers to denominator of ratio which can be the active population or, for example, population within the working age;
- content of primary calculated indicators;
- sources of data collection;
- calculation methodology.

### **3. Case study – unemployment analysis in Romania between 2007 and 2011**

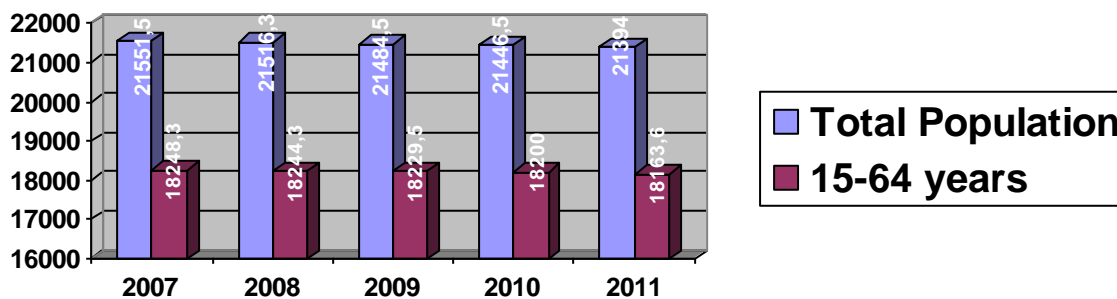
In September 2008, with the collapse of Lehman Brothers U.S. bank, the financial crisis started to affect the real economy strongly. At that moment, unemployment rate in Romania was 3.9%,

according to data providing by National Agency for Occupying Workforce. At European level, the average was 7,1%, Romania being among the least affected countries, along the Netherlands, Austria, Denmark and Cyprus. Meanwhile, the recession hit more Union countries, the majority of employers were faced with rethinking the business and restructuring the activity, fact that automatically loaded to massive layoff. Some countries suffered more, others less. The most hit member stat was Latvia, where unemployment rate increased almost three times from September 2008 to January 2010, to 23% closely followed by the others two Baltic states, Estonia and Lithuania, where unemployment rate increase in two times. Regarding our country, Eurostat and National Agency for Occupying Workforce data show that Romania occupied the fifth place in January 2010 in European Union after growth in unemployment from September 2008 to January 2012, 108% of European average advance 39%. A more detailed and comparative analysis of unemployment rate depending on sex, age and education level represent the topic of this paper, its purpose is to obtain an overview and to clarify, as possible as, the actual situation of labor market in Romania.

### 3.1. Demographical information

Studying demographic information offered by National Institute of Statistics for 2007-2011 observe a decrease of total population (from 21551,5 thousands people in 2007 to 21394 thousands people in 2011), a smooth decrease without values oscillations in the studied period. The decrease of 1575000 people is especially to due to lower born rates.

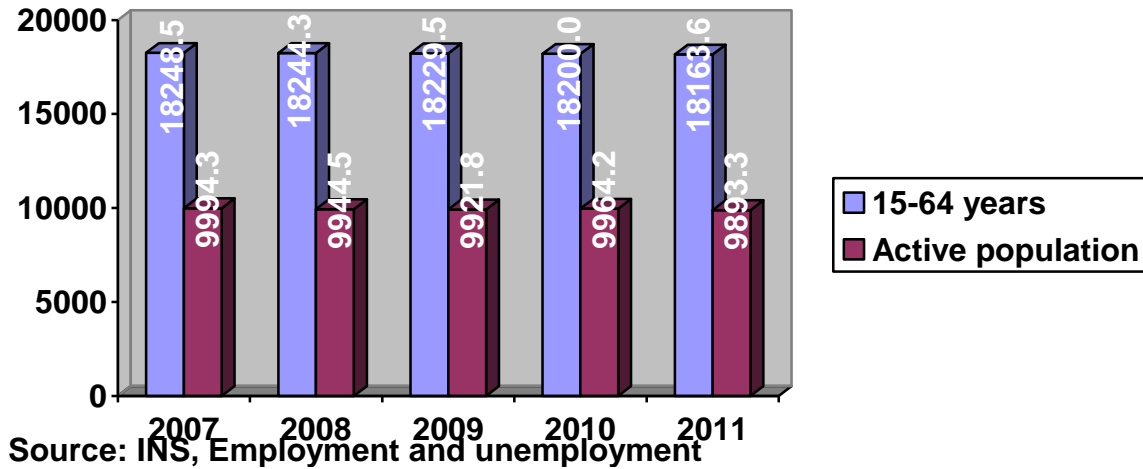
Chart. 1 Comparative analysis of the working age population to the total population of Romania in the period 2007 - 2011



Source: INS, Employment and unemployment

Regarding the working age population we observe the same decrease as in case of total population during all analyzed period from 18248,3 thousands people in 2007 to 18163,6 thousands people in 2011.

**Chart 2 Comparative analysis of the working age population and active population of Romania in the period 2007 - 2011**



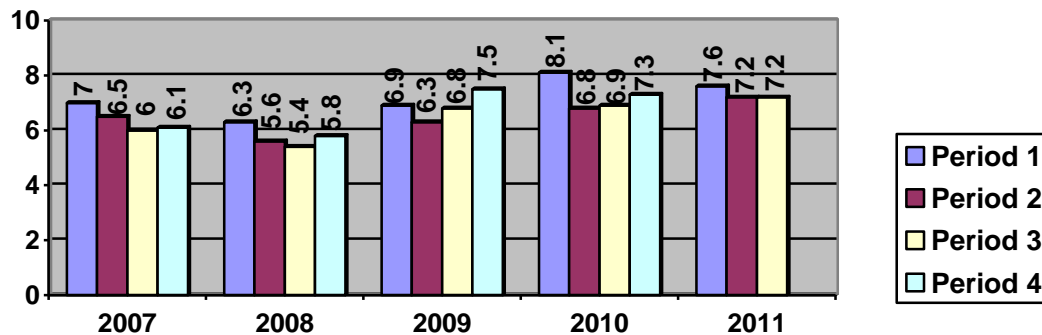
In the case of Romanian active population, in the period 2007-2011 is evident the decreasing trend. We note, however a minor decrease in 2010 compared with 2009 by 0,3%, in 2011 it recorded a value of 9893,3 thousands people.

### 3.2 Unemployment rate

#### 3.2.1 Total unemployment rate

In the period 2007-2011, unemployment rate quarterly calculated had a fluctuating evolution, so the highest value was recorded in the first quarterly in 2010 (8,1%), and the lowest value of unemployment rate was recorded in the third quarterly in 2008 (5,4%).

**Chart 3 unemployment BIM rate in the period 2007-2011**



Source: INS, Employment and unemployment

So, the indicator reaches minimal values in 2007 and especially in 2008, values owed to investment policy promoted by Romanian country which determined a growth of jobs. It is noticed that in 2009 was a jump of unemployment rate of 1,1% over the previous year, this indicated a decrease of jobs number.

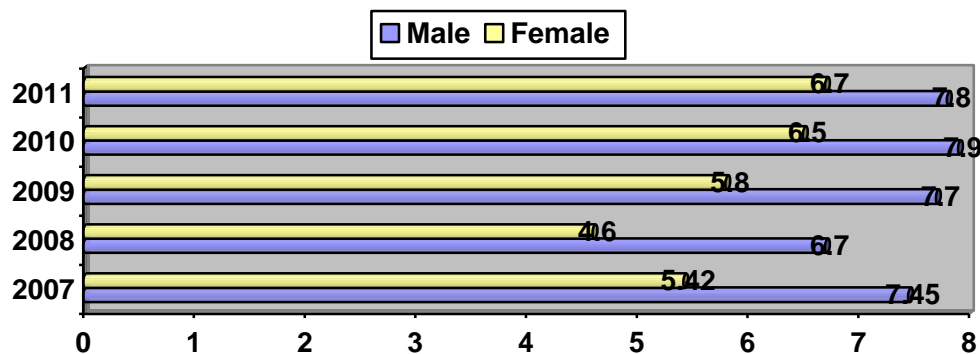
Rise in the unemployment rate in the period 2009-20011 is due to economic crisis whose fingerprint was felt on Romanian economy too. Also, in the majority of cases, the consequences of this high unemployment rate are due to:

- economic structure changes and employers difficulties to adapt to these changes;
- human desire and behavior;
- technical progress;
- budgetary expenditures on “social protection” or “transfer payments”;
- laziness and individual failures;
- political system.

### 3.2.2 Unemployment rate- Gender distribution

Regarding sex distribution of unemployment rate, data reflect a significant imbalance between unemployment male rate and female rate.

**Chart 4 Unemployment rate depending on gender in the period 2007 - 2011**



Source: INS, Employment and unemployment

Keeping the weight for males is found that the most affected areas by recession were: constructions, automotive and manufacturing. In 2010 because of restructuring in public domain where work the majority of female was established the balance between unemployment male and female rate.

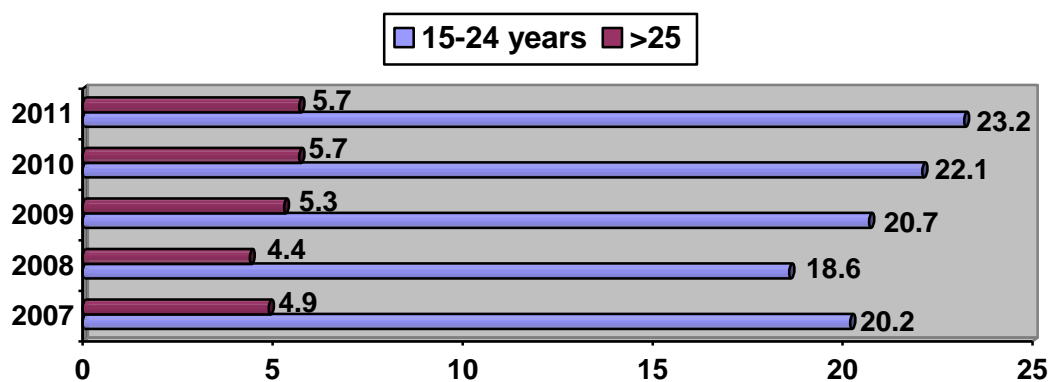
Before the economic crisis, 22 areas reported a highest unemployment rate for female than male, while, at the end of 2009 and during 2010, only four areas still recorded unemployed women: Constanța, Hunedoara, Ilfov and Bucharest. The highest unemployment women rates were recorded in the areas: Mehedinti (10,5%), Giurgiu (10,4%), Vaslui (10,4%), Hunedoara (10,3%), Dolj (10,2%) and Alba (10,1%).

Men were the worst hit by economic crisis in the areas with highest discrepancies between medium unemployment rate and female unemployment: Vaslui (13,9% vs 10,4%), Teleorman (12,1% vs 9,3%) and Călărași (8,6% vs 6,6%).

### 3.2.3 Unemployment rate- Age distribution

Decrease of unemployment rate between teenagers reflect both a continuously decrease in birth rate but maybe most frequently indicate the fact that educational activities become more widespread and lasting.

**Chart 5 Unemployment rate depending on age n the period 2007 - 2011**



**Source: INS, Employment and unemployment**

Unemployment recorded in Romania affected particularly young workforce, especially teenagers entering the market labor for the first time. Teenagers from Romania are the most vulnerable category in relation with unemployment phenomenon. Lack of jobs for young people was and continuing to be a big socio-economic problem, difficult to solve.

In addition, working teenagers are more vulnerable to the economic recession, employers reacting to the economic pressure by reducing the employment of new young workers and emphasizing the need for experienced workforce in the required area.

The highest growth of young workers starting with 2007 till 2011 was recorded between workers in services and sales workers in shops and markets.

Most of these areas and occupations are characterized by high risk of injury, exposure to several dangers at workplace or in services, to precarious employment situations.

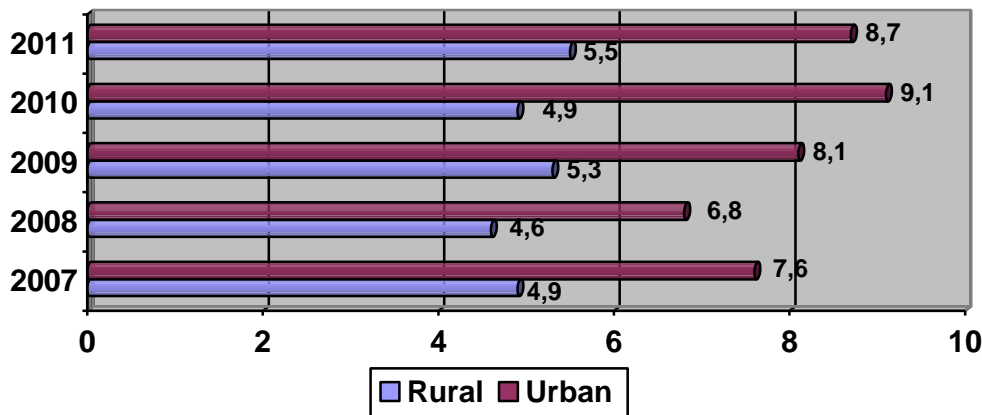
However, successful integration of young people into professional life is essential for the society and business, and also is important for teenagers themselves, for own control of life, health and wellbeing.

Indeed, if we analysis information provided by the National Institute of Statistics we noticed that between 200- and 2011 the biggest problem of today young people is employment, in most cases they are discriminated by lack of experience, and their rate of unemployment reaching a level almost four times highest than the level of the group 25-64 years old.

### **3.2.4 Unemployment rate- Environments distribution**

In the next figure is showed the structure of unemployment rate by area- rural or urban.

**Chart 6 Unemployment rate depending on areas 2007 - 2011**



There is a huge discrepancy between unemployed for rural and urban Romanian environment. Also, the situation seems more favorable to rural areas of workforce.

Excessive growth that was recorded in the urban area for 6,8% in 2008 to 8,1% in 2009 and reaching a percentage of 9,1% in 2010, but decrease by 0,4% in 2011 is due to Romanian management because of austerity conditions adopted, was recorded a decrease in the most important branch of urban area, which was industry.

In the rural area, the situation is more acceptable in terms of unemployment, thus, in the analyzed period of time the highest unemployment rate in the rural was recorded in 2011 (5,5%) and the lowest in 2008 (4,6%).

Low unemployment rate for rural area is due to development of small and medium companies which activated especially in areas such as crafts, rural tourism, processing of agricultural raw materials, transport, etc. Companies generate a high demand of jobs due to their ability to develop and attract new investments.

The greatest impact on rural area has had tourism and agro-tourism houses that determined attracting new opportunities for zonal development. Also, all was possible due to investments made in infrastructure, concerning drinking water distribution networks, health services, and not the least the road infrastructure by modernization county roads and telecommunications.



## **Conclusion**

Romania as modern European State, its the future dynamic of labor market performance will determine the characteristics of emigration flows and economic influence performed by this.

On short and medium term, Romanian emigration will affect first of all the availability of workforce (quantitative effect) so will influenced wages and occupation (effects that already beginning to be felt by lack of workforce). Second, emigration influences labor market through changes of allocation on regional and sectorial level of workforce and relatively distribution of manufacturing. Third, depending on destination, payments of Romanian migrations in the country will influence emigrations areas. Reducing financial contribution by migration outside the community will probably have effects on public transfers level. Finally, changes of available labor in Romania may induce changes in manufacturing structure and alter changing terms.

Long term effects of emigration (growth effects) on Romania are not enough clearly. There are two points of view on this. On the one hand, migration is seen as only a instrument which contributes to convergences of integrate economies. On the other hand, migration can be seen as phenomenon that leads to increase development differences between countries (unfavorable locations will lose many production factors).

The two mechanisms related with migration probably will influence economic development of Romania by acquiring EU membership: human capital outflows due to high qualified emigration (brain drain) and reverse financial flows associated with emigration, so the amount of money send in Romania by emigrants. Emigration of those with low qualification, unemployed workers can defuse the situation on short-term of labor market.

To combat unemployment effects (especially long term) in the context of Romanian integration in EU, must act to:

- reduce teenagers unemployment, by applying incentives to employers for the recruitment of the graduated, professional counseling, training courses, consultancy for setting up small business;
- reduce long term unemployment, by providing benefits for unemployed that fall before the expiration of compensation, encouraging mobility by subsidize labor involved in temporary occupation programs;
- reduce unemployment for disadvantaged groups;
- continuous professional training, by organizing courses also for individuals who have ceased the activity, so, when they start again, to can perform their duties, and on the other hand, diversifying professional competences in order to facilitated their integration on labor market;
- increase the flexibility of labor market, from the internal, external and salary;

- promotion of social dialogue, by performing collective negotiations, hence through decentralization, and also performing trade union through further development, including trade unions, employers' organizations.
- Reduce regional disparities for occupation and unemployment, by increasing the economic development potential and creating new local jobs;
- In Romanian regional development, as a premise for building regional and local labor markets, will have to take in consideration also redefinition, reorganization of these areas, thus assure maximum efficiency.

The purpose of strategies to combat unemployment and stimulate employment must be found in achieving the central goal established in Romanian labor market: developing human capital and increasing competitiveness on labor market, by assuring equal opportunities for lifelong learning and developing a modern labor market, flexible that will lead until 2015 to achieving an employment rate over 70% while maintaining the unemployment rate under 6% (objectives established by strategy for employment and development in Europe made at Lisbon).

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**Annexes**

**Annex 1**

Table of comparative analysis of the working age population to the total population of Romania in the period 2007 - 2011

	2007	2008	2009	2010	2011
Total population	21551,5	21516,6	21484,5	21446,5	21394
15 – 64 ani	18248,3	18244,3	18229,5	18200	18163,6

Source: INS, Employment and unemployment

**Annex 2**

Table of comparative analysis of the working age population and active population of Romania in the period 2007 - 2011

	2007	2008	2009	2010	2011
15 – 64 ani	18248,3	18244,3	18229,5	18200	18163,6
Active population	9994,3	9944,5	9921,8	9964,2	9893,3

Source: INS, Employment and unemployment

**Annex 3**

Table regarding unemployment rate in the period 2007-2011

	2007	2008	2009	2010	2011
Quarter 1	7,0	6,3	6,9	8,1	7,6
Quarter 2	6,5	5,6	6,3	6,8	7,2
Quarter 3	6,0	5,4	6,8	6,9	7,2
Quarter 4	6,1	5,8	7,5	7,3	-
Total	6,4	5,7	6,8	7,2	7,3

Source: INS, Employment and unemployment

**Annex 4**

Table regarding unemployment rate depending on gender

	2007	2008	2009	2010	2011
Male	7,45	6,7	7,7	7,9	7,8
Female	5,42	4,6	5,8	6,5	6,7

Source: INS, Employment and unemployment

**Annex 5**

Table regarding unemployment rate depending on age

	2007	2008	2009	2010	2011
15 – 24 years old	20,2	18,6	20,7	22,1	23,2
> 25 years old	4,9	4,4	5,3	5,7	5,7

Source: INS, Employment and unemployment

**Annex 6**

Table regarding unemployment rate depending on areas

	2007	2008	2009	2010	2011
15 – 24 years old	4,9	4,6	5,3	4,9	5,5
> 25 years old	7,6	6,8	8,1	9,1	8,7

Source: INS, Employment and unemployment