

## ESTIMATIONS ON THE IMPACT OF EMPLOYMENT IN THE ROMANIAN REGIONS ON ECONOMIC GROWTH DURING THE POST -ECONOMIC CRISIS PERIOD

**PhD. Prof. Mariana BĂLAN**  
Athenaeum University - Bucharest  
[dr.mariana.balan@gmail.com](mailto:dr.mariana.balan@gmail.com)

### **Abstract**

*The comparative analysis of Romania's Development Regions emphasizes the process of increasing disparities of economic and social development between regions during the post-crisis period.*

*Development differences between the most developed region (Bucharest - Ilfov) and the least developed (North-East Region) in terms of GDP per capita grew nearly three times.*

*Meanwhile, the disparities are increasing between regions situated in the western half of the country (North-West, Centre and West), all these regions recording positive economic developments as many economic and social development indicators' show consistent growth, and the ones situated in the eastern half of the country (North-East, South-East, South and South-West), which are less development.*

*The paper presents a concise analysis of the labour for each of Romania's development regions.*

**Key words:** *employment, unemployment, economic growth, impact, regional development*

**JEL Classification:** J21, J64, O11, O18

### **Introduction**

The effects of the financial crisis that started in the summer of 2007 continue to be felt by the global economy. Even though the lowest point of this crisis has long been overcome, it is very possible for the economic turnaround to take a long time, as it is characterized in general by slowed-down economic growth from the viewpoint of actual potential, and gradual decrease of the unemployment rate over several years.

On short and medium term, even under the conditions in which economic growth shall be positive, the decrease of the unemployment rate shall take a longer time.

The historical analysis of the implications of the financial crisis on economies shows that for stabilising the labour force market measures should be taken on a medium time-horizon.

### **1. Labour force market and social anti-crisis measures at European Union level. Brief Presentation**

The European Commission Report of March 2009 indicates a series of so-called “good practice” measures that Member-States might take for sustaining economic activity

The analysis of measures adopted by various Member States for economic turnaround show that the majority had a strong emphasis on maintaining the number of employees by policies that pursued:

- sustaining viable economic activities, however these are faced with difficulties in accessing funds and facilitating access to capital;
- professional re-training, re-skilling, and training programmes;
- measures aimed to diminish companies’ expenditures before effective layoff of employees;
- extending the period of unemployment pay and encouraging part-time jobs;
- social protection measures – supporting persons from the low income categories.

For instance, in *Austria*, the measure of effectively diminishing working time has been extended from 12 months to up to 24 months the option being available also for elderly persons. For young individuals in the age group 19 to 24 years, who lost their jobs, specialised training was organised in cooperation with SMEs for providing them with new career opportunities. Various employment schemes were realised for persons aged 50 years or over, and/or subventions granted to micro-enterprises, or solidarity bonuses, and social aid for old persons who no longer could work and had not reached pensioning age.

The impact of the measures package for stimulating employment was rendered concrete in a number of 97000 jobs and yet other 45000 such opportunities are expected to be created for those searching either a temporary or permanent job.

If, at the beginning, the enforced decision, in order to control the negative effects of the economic crisis, was laying off workers who delivered manual work in *Belgium*, thereafter this measure proved insufficient and inefficient and the decision was extended to white-collar workers. This measure aimed at companies facing either a

20% decrease in quarterly turnover, or in yearly output, or 20 percent diminishment of orders for their products.

As result of the deterioration of the economic situation and the increase in the unemployment rate, *Bulgaria*, opted for diminishing the working time of employees in the industrial and services' sector.

With the purpose of adjusting and keeping employees within companies affected by short-term diminishment of production due to the economic crisis, as well as for encouraging them to improve performances and skills, the *Czech Republic* launched a pilot project that benefited of support from the European Social Fund. The total budget of the project was of 3 billion Crowns (approximately 115 million Euros) and is used both as financial resource in ensuring training, and for compensating wage losses of employees as result of attending training courses.

The *Danish* Government allotted a budget of 1.4 billion DK (190 million Euros) to some initiatives aimed to prepare youths for the new developments on labour market. Among them, was the set up of job centres where unskilled youths up to the age of 30 years, or those in the age group 18 to 19 years, would benefit of training or receive job offers. At the same time, the programme aims to youngsters with school difficulties, to those newly released from the penitentiary system, and the ones requiring insertion assistance, as well as to those who are still in their period of studies, and wish to work in their spare time. Finally, the programme addresses also the fresh graduates of universities who need employment as soon as possible after concluding studies.

In *France*, certain trades and sectors were faced with decline because of the industrial restructuring and many of their specialised workers were left jobless. In this context, opportunities were provided to workers for taking up their activity again, even if it meant changing occupation, trade or sector, or even locality. This programme pursued to stimulate reemployment of active labour force and provide for possibilities of professional reorientation and reskilling.

Despite of a healthy economic situation, *Poland* decided on adopting measures aimed to temperate the aftermath of economic crisis. Hence, action was taken for providing enterprises affected by the unfavourable economic conjecture (entities with turnover decreases by 25%, or faced with restructuring, or on the brink of bankruptcy, and not benefitting of state subventions) with state aids, and ensuring provisions for diminishing working time. Other solutions provided for the the reimbursement of up to 80% of the company's personnel costs with retraining through specific courses. At the same

time, irrespective of the company's status, they benefit of extensions for part-time jobs from 4 months to 12 months, as well as of shifting working times.

For diminishing the effects of the financial crisis on labour and employment degree, the government of *Slovenia* adopted two key measures. The first provided for partial subventions for full-time jobs (the measure was adopted to help companies where orders decreased by approximately 20%); and the second for partial wage reimbursement for laid-off employees (in order to support companies where orders decreased up to 40%), next to active labour market policies.

*Hungary* adopted a series of measures with the purpose of maintaining jobs for employees, stabilising SMEs, and hindering the increase of the unemployment rate. These measures were implemented by providing subventions to some companies for maintaining jobs, shifting to shorter working time, and organising courses for employees; also, subventions for companies employing workers, and for personnel having to commute on significant distances from their residence to job.

## **2. The challenges of the current crisis on Romania's labour market**

In the current macroeconomic context, the challenges for the Romanian labour market have a dual character, these aiming both at the private sector (which adjusted naturally as result of economic constriction), and the public one.

The agreement signed by Romania with IMF in the year 2009 presupposed the diminishment of expenditures with employees' wages from public administration by 20%. Layoffs initiated in the year 2010 have increased and added pressure on the labour force market. The solution adopted by the authorities to diminish public sector wages by 25% as of June 2010 may be regarded as an intermediary measure having as objective to reduce the number of employees with a comparable percentage on a short-time horizon, possibly as of 2010 and continuing in 2011.

If in 2007 the unemployment rate was 4.0%, a minimum of the last 17 years, in 2009 the unemployment rate was already 7.8% that is an abrupt increase in only a few months. Thereafter, since 2011, it has fallen, reaching 4.8% in 2015, a value above the one recorded before the crisis. However, the pressures on the labor market continued to be felt.

The yearly growth rate of unemployed within the economy is different to the one existing in the two somewhat similar periods, respectively 1997-1998, and 2001-2002. If then the unemployment increase was due predominantly to the effects of pre-election policies and/or of the domestic financial crisis, now the reason is preponderantly external, the effect of the world economic crisis diminishing strongly the external demand with repercussions on domestic output.

The effects of the economic crisis on the private and public sector are completely different. In the private sector, the consistent decrease of the number of employees began to show at the beginning of 2009. By the end of 2015, at the level of the whole economy, the public sector saw a reduction of 229262 persons, and in the private sector by 251522 people. Yet, the evolution in the numbers of unemployed from various economic sectors must be correlated with the share of these sectors in GDP, as well.

At the level of the national economy, in 2008, the number of employed within the public sector was of 1.4 million, representing 27.8% from the total number of employees in the economy and reached 1.17 million in 2015, representing 25.5% of the total number of employees in the economy.

The Romanian public sector continues to be one of the most oversized sectors as compared with the other EU member countries (for instance, in 2015 the number of employees within the public sector represented 19% in Italy, 21% in United Kingdom, and 26.5% in Poland, and in the other EU countries this percentage is still lower). The most important issues facing the public system are increasing efficiency along with diminishing costs.

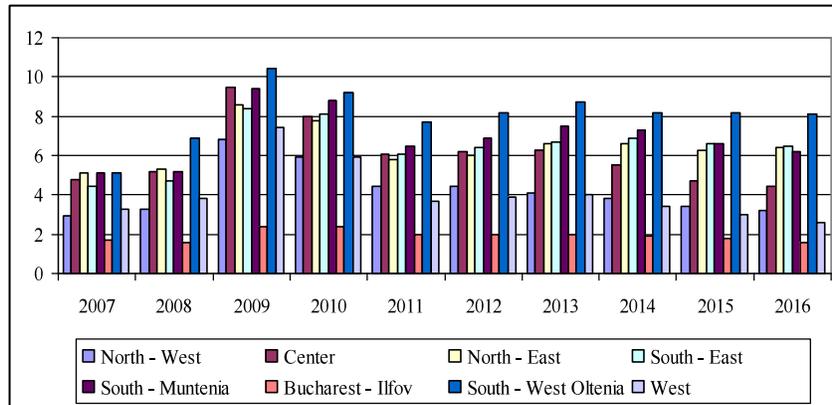
### **2.1. Unemployment variation at regional level**

At regional level, major disparities are shown with respect to the number of unemployed. These variations are due to several factors, among which:

- i) the structure of local economy – the economic sectors were affected differently by the crisis, fact which is noticeable also at the level of the local/regional economies;
- ii) the influence of commuting workers: large towns such as Iasi, Cluj, Timisoara or Bucharest attracted workers from neighbouring counties, these being among the first laid-off persons at the beginning of the crisis.

Yet, the discrepancies at regional level were present also before the crisis and, for the last years, this trend became only more marked (Figure 1).

**Figure 1 Evolution of the unemployment rate in Romanian development regions, (%)**



Data source: TEMPO-Online time series, [www.insse.ro](http://www.insse.ro)

The layoffs during the crisis recorded high value variations from one county to another, depending on the specific context of each county. Thus, the most affected counties due to this phenomenon were: Bacau, Prahova, Buzau, Mures, Brasov, Hunedoara, Alba, Dolj, Bucharest, Cluj and Satu-Mare.

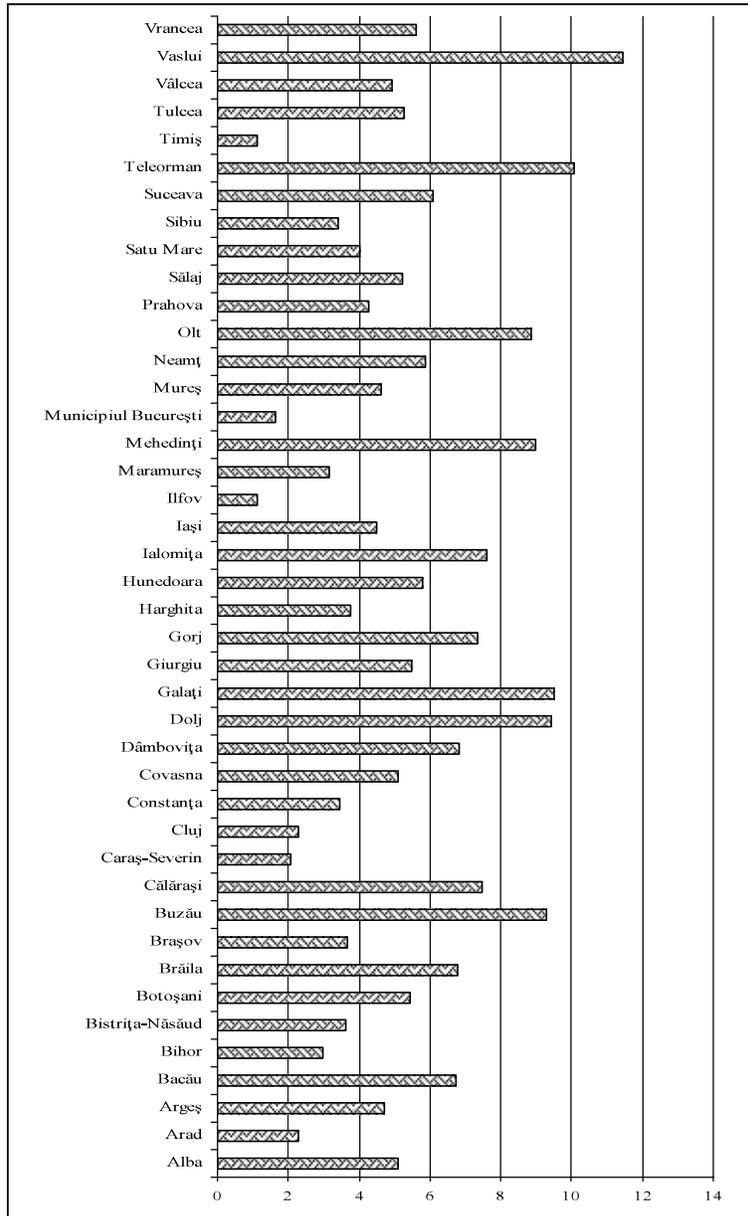
Considering the low values of the unemployment rate at national level it can be said that layoffs during the crisis did not generate imbalances in unemployment's evolution, and the counties facing this phenomenon have found solutions for economic turnaround, reflected also in smoothing issues from the viewpoint of labour force employment.

At territorial level two counties exceeded the average annual rate: Mehedinti and Vaslui, and at the opposite end are placed the following counties: Ilfov, Timis, and the Bucharest municipality.

The regions with the highest unemployment rates were the South-West, South and North-East region, where the rural activities are preponderant. These are also the regions with considerable disparities also within the same region, where predominantly agricultural counties coexist with the most developed ones. For instance, in the North-East region, discrepancies were recorded between the counties, with respect to the annual average of the recorded unemployment rate: the maximum level was reached in

county Vaslui (11.45%), and the minimum one in county Iași (4.51%) (Figure 2).

**Figure 2 Evolution of the unemployment rate by counties, (%)**



Data source: NALF Statistics, 2016, [www.anofm.ro](http://www.anofm.ro)

The regions Bucharest and North-West attained the lowest levels of the registered unemployment rate, these areas being at an advantage due to their low dependency on the primary sector (Bucharest region), respectively due to their proximity to Western markets (North-West region), but also due to their high capacity in attracting foreign direct investments.

The labour market was not characterised by major imbalances because of the continuous character of economic growth.

Characteristic for 2016 is the fact that the number of paid unemployed is much lower than the number of unpaid unemployed (90111 persons, respectively 328126 persons).

From the viewpoint of the unemployed distribution, on educational levels, in the year 2016, from the total number of registered unemployed, 79.64% were persons with basic-secondary and vocational education, 16.23% with upper-secondary and post-upper-secondary education, and 4.13% were persons with higher education. From the viewpoint of the age-group structure of registered unemployed, the age groups with most unemployed continue to be aged from 30 to 39 years of age and from 40 to 49 years of age, these groups being followed by the age group from 50 to 55 years of age.

The layoffs during the crisis and post-crisis generated imbalances in the development of unemployment, all counties facing this phenomenon, but also lesser options for economic turnaround, reflected also in the issues of labour force employment.

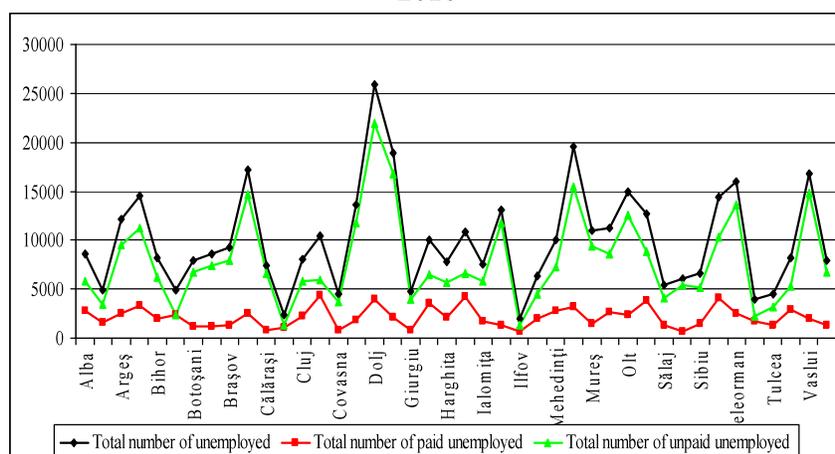
Even if in the last years, there has been economic growth at national level, however, in 2016, in 6 counties, the unemployment rate was higher than 9%: Vaslui (11.45%), Teleorman (10.05%), Galați (9.52%), Dolj (9.41%), Buzău (9.28%) and Mehedinți (9%). The minimum end is represented by the county Ilfov (1.11%), Timiș (1.14%) and the Bucharest municipality (1.66%). The highest unemployment rates were registered in South-West, South, and Center, regions in which rural activities are preponderant.

The global financial and economic crisis was strongly felt by the Romanian economy. The economic activity was in regression, a fact highlighted by the labour market, where the crisis was expressed by the high increase in the numbers of unemployed and by the unemployment rate.

At counties' level, the number of unemployed increased in 2016, in 22 counties: Cluj (by 642 persons), Ialomita (by 610 persons), Arad (497 persons), Botosani (404 persons) and Bacau (380 persons). Decreases in the number of unemployed are recorded in 19 counties and the Bucharest municipality, the most important ones

being registered in the following counties: Teleorman (1285 persons), Buzau (941 persons), Suceava (309 persons), Giurgiu (203 persons), Sibiu (805 persons), Constanța (135 persons) and Gorj (106 persons). In the Bucharest municipality the number of unemployed decreased by 87 persons (Figure 3).

**Figure 3 Total number of unemployed registered on counties, in 2016**



Data source: NALF Statistics 2016, [www.anofm.ro](http://www.anofm.ro)

The counties with the highest share of unpaid unemployed in total number unemployed are: Iasi (89.42%), Calarasi (88.42%), Satu Mare (88.25%), Vaslui (88.10%) and Mures (86.39%).

The unemployment rate increased in 22 counties, that is: Ialomița by 0.62 pp, Bistrita Nasaud and Botosani by 0.28 pp, Arad by 0.23 pp, Alba by 0.20 and Tulcea by 0.19 pp.

Decreases of the unemployment rate are registered in 16 counties and in the Bucharest municipality and the most important decreases of the unemployment rate are recorded in the counties Teleorman by 0.41pp, Bihor by 0.24pp, Arges by 0.18pp and Maramures by 0.15pp. In the Bucharest municipality, the unemployment rate decreased by 0.02%.

The highest levels of the unemployment rate were reached in the counties: Vaslui (11,45%), Teleorman (10,05%), Galați (9,52%), Dolj (9,41%), Buzau (9,28%), Mehedinți (9,0%), followed by the counties: Olt (8,85%), Ialomita (7,62%), Calarasi (7,49%) and Gorj (7,34%).

In conclusion, the economic growth potential of Romania will ensure an increase in labour demand. From the macroeconomic

viewpoint, the measures suggested by the Government could improve part of the existing imbalances, but the enforcement manner may emphasise the social imbalances in a difficult moment for the economy.

The labour market within the European Union seems to be stabilised, the unemployment rate being of 8.7% in 2016.

In accordance with the Eurostat statistics, Romania is on the eighth place from the viewpoint of the unemployment rate, with a value of 6.1% by the end of 2016.

### References

1. Benedikt F.C., Osborne M. A., (2013), *The Future of Employment: How susceptible are jobs to computerization?*, <http://www.oxfordmartin.ox.ac.uk>;
2. Bernal-Verdugo et al., (2012), *Labor Market Flexibility and Unemployment: New Empirical Evidence of Static and Dynamic Effects*, *Comparative Economic Studies* (2012) 54, <http://www.palgrave-journals.com>;
3. Crețoiu Gh., Cornescu V., Bucur I., (2011), *Economie*, Editura C.H.Beck,
4. Marco B., (2009), *Beyond the crisis: a changing economic landscape*. Keynote speeches at the Brussels Economic Forum 2009, Economic and Financial Affairs of the European Commission, [www.ec.europa.eu/bef](http://www.ec.europa.eu/bef);
5. Marginean S., (2014), *Youth Unemployment in Romania: Post-Crisis Challenges*, *Procedia Economics and Finance* 16 (2014), [www.sciencedirect.com](http://www.sciencedirect.com);
6. Pop N. (2010), *Romania during the Post-Crisis Period: A Limitative Evaluation*, *Financial Studies* 4/2010, [www.ipe.ro](http://www.ipe.ro);
7. \*\*\* Anuarul Statistic al României 2007-2015, Institutul Național de Statistică
8. \*\*\* Global Employment trends for youth, 2015, International Labour Office -Geneva, ILO, 2012-2015, [www.ilo.org](http://www.ilo.org);
9. \*\*\* World Employment and Social Outlook – Trends 2016 - ILO, [www.ilo.org](http://www.ilo.org);
10. \*\*\* Raport de activitate pentru anul 2007-2016, Agenția Națională Pentru Ocuparea Forței De Muncă,
11. \*\*\* Statistici ale Agențiilor Județene pentru Ocuparea Forței de Muncă