

REGIONAL UNEMPLOYMENT AND TOURISM REGARDED AS PART OF THE NATIONAL ECONOMY

Cristina Burghilea

Hyperion University of Bucharest, Romania,
crystachy@yahoo.com

Mirela Ionela Aceleanu

The Bucharest Academy of Economic Studies, Romania
aceleanu_mirela@yahoo.com

Miron Dumitrescu

Hyperion University of Bucharest, Romania,
a3du2005@yahoo.com

Mihaela Marcu

Hyperion University of Bucharest, Romania
mihaela.marcu13@yahoo.com

Abstract

Dealing with actions to promote economic growth, to ensure financial stability and budgetary consolidation, it is important and necessary to promote economic growth and competitiveness, to continue to consolidate the budget in a way favourable to economic growth, to fight against unemployment and social consequences of the crisis, to restore normal credit conditions in the economy and to update public administration.

Article tackles in a manner of its own the economic situation at national level, the evolution of unemployment at regional level but also touristic activity which has the leading part in increasing Romania's economy.

Keywords: GDP; economic growth; competitiveness; sustainable tourism.

JEL classification: E20; L83; F43.

1. Introduction

Romania benefits from preventive financial assistance over the medium term, granted under the mechanism for balance of payments until September 2015, subject to a maximum amount of 2 billion euros. This

financial assistance is intended for the Member States which are not part of the eurozone and is expected to contribute to the consolidation of macroeconomic stability, financial and budgetary issues and it is welcome given the instability of capital flows that affect emerging markets in particular. This preventive assistance is conditional upon the implementation of a comprehensive economic policy programme (structural reform measures, reform of business environment and goods market, among others). The specific objective of the medium-term budgetary policy provides for a deficit of less than 2% of GDP for the period 2015-2017.

In 2014 Romania enjoys a temporary deviation from the medium-term objective included in the Stability and Growth Pact, but the temporal deviation must be compensated in the next year. Thus, in 2015, should be sought an increase of 0.8% of GDP, after having achieved a stabilization of the recalculated structural balance. Around this time, it is expected that the share of government debt to GDP will reach 40 percent, but it would drop in the next period, the macroeconomic scenario on which budget forecasts are based being plausible. In spite of a slight deterioration of the structural balance in 2014, the requirements of the Stability and Growth Pact are met by Romania, taking into account the approved temporary deviation. It is also foreseen that, in terms of expenditure, Romania will deviate from the reference criterion.

2. Evolution of economic activity

Nationwide economic growth can be determined by analysis of the indicator that measures the country average real income (per capita GDP) by calculating the ratio between the actual level of GDP and the population of that year, including the goods and services on the domestic market (see table 1).

Table 1. Country average real income

Year	2007	2008	2009	2010	2011	2012
EU average	23.800	23.700	22.600	23.000	23.300	23.200
Romania	4.400	4.800	4.500	4.500	4.600	4.600

Source: www.eurostat.ro

Thus we can conclude that the calculated level of GDP, expressed in euro per capita, is well below the EU average, but it is on an upward slope since 2007 which has been continued to the present. The current growth rate can be improved by increasing investments and competitiveness at European level.

If we refer to the level of poverty at the national level compared to the EU average a situation unfavorable for our country shows, where disadvantaged people with an available income below the risk of poverty

threshold is set at 60% of the average available national income (after social transfers).

Table 2. The level of poverty at national level compared with the European Union average

Year	2010	2011	2012
EU average	23,7	24,3	24,8
Romania	41,4	40,3	41,7

Source: www.eurostat.ro

Comparing the two existing situations, otherwise calculated as a percentage of total population we note that the situation through which our country is going is worrisome because it appears that a percentage of just over 40% of the total population lives in precarious conditions, below the limit laid down of the national income. In comparison, the average of the European Union lies at about 24%, a percentage far better than the one recorded by Romania. Measures and urgent reforms are needed to improve this situation which is dangerous for the Romanian economy.

The dangerous situation on the Romanian economy is also determined by the unemployment rate showing the total number of unemployed active population, receiving unemployment benefit, calculated as a percentage (see table 3).

Table 3. Unemployment rate

Year	2007	2008	2009	2010	2011	2012	2013
EU average	7,2	7	8,9	9,6	9,6	10,4	10,8
Romania	6,4	5,8	6,9	7,3	7,4	7,0	7,3

Source: www.eurostat.ro

Average annual unemployment recorded by Romania is near the European Union average, but our country has better results from this point of view, Romania being below the European Union average with a percentage change between 1% and 3%. Even though Romania stands a little better in this respect, we can see how both the EU and Romania averages have an increasing trend, the number of unemployed persons in the total population increased steadily since 2008 to this moment, as proof of the actual percentage increase. The main reasons which led to this phenomenon were the recent economic crisis that hit in particular the Euro area, which has led to a much greater increase in the percentage of unemployed at Union level.

The evolution of the Romanian economy by development macroregions results in an overview of the level of involvement of each macroeconomic structure in national growth.

Thus, in the period 2002-2011 our country has recorded a remarkable growth of per capita gross domestic product (starting at 6,000 euro per inhabitant in 2002 and reaching 12,200 euros/inhabitant in 2011).

Note the gap between the Bucharest-Ilfov region and the rest of the regions, this being the only region which has gained in each of the years between 2002-2011 an amount greater than 200% over that recorded at the national level. Of the other regions, only the West region has surpassed the national average in terms of GDP/inhabitant in the period analyzed. The region which has had the lowest level of this indicator throughout the period between 2002 and 2011 is the Northeast.

Between 2002 and 2008 the level of per capita gross domestic product followed an uptrend in all developing regions of Romania. The highest growth, 21.76% was recorded in 2008 in the region that includes the capital.

The economic crisis has led to a decrease in the level of GDP/inhabitant in all eight regions, but only for one year, after which it returned, with values higher than in 2008, with the exception of the Bucharest-Ilfov region that had a level of GDP per capita 4,46% lower. In 2011, relative increases were recorded in almost all regions (in the North-East, the level of GDP/inhabitant was constant), and in Bucharest-Ilfov region it has achieved a record level of GDP/capita: 30700 euro/capita, i.e. 251,63% times higher than the national average.

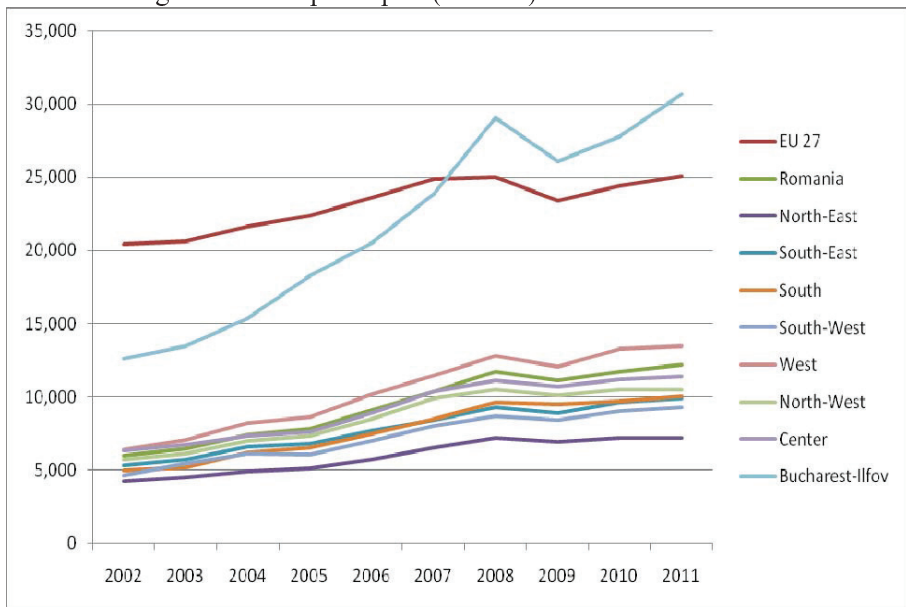
Compared to the national average, the GDP/inhabitant indicator shows that the disparity of development between the eight development regions continues to increase, especially between Bucharest-Ilfov region and the rest of the regions: Bucharest-Ilfov region during the reviewed period recorded twice the national average.

In 2002, the most underdeveloped region, the Northeast region recorded a level of GDP/capita by about 30 percentage points lower than the national average, while the southern region by almost 20 percentage points.

In 2008, disparities were much higher, only two of the regions managed to exceed the national average: the Bucharest-Ilfov region with 148.72 percentage points and the Western region with 9.01 points.

After 2008, the level of GDP/capita began to grow gradually in the two regions, while in the other regions it gradually decreased, but disparities between regions remained unchanged, compared to the national average (see figure 1).

Figure 1. GDP per capita (in Euro) between 2002-2011



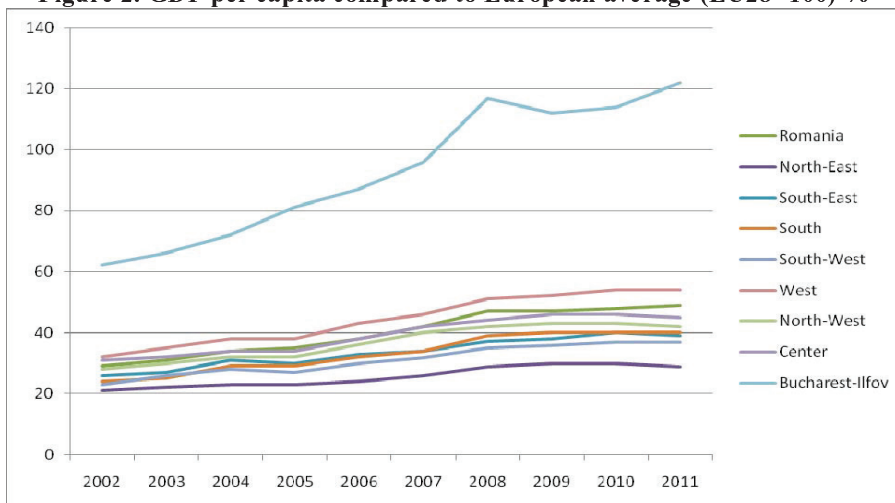
Source: www.eurostat.ro

Compared to the European average, there can be observed, further regional disparities between the Bucharest-Ilfov region and the other seven regions.

The greatest weight compared to the European average was recorded in 2011 in Bucharest-Ilfov region, 251.64%, while the rest of the regions have had a level of GDP/capita lower than the European average, excepting the West region which had a weight greater by about 10 percentage points.

Throughout the period under review, this discrepancy between the development regions of Romania has been kept, the most underdeveloped region, the Northeast had the smallest share, 21 percent, compared to the European average in the year 2002, and the proportion increased with very low rates, highest level being registering in the years 2009 and 2010, at 30% (see figure 2).

Figure 2. GDP per capita compared to European average (EU28=100) %



Source: www.eurostat.ro

An explanation of regional disparities in terms of GDP/inhabitant may be also interpreted by means of the indicator called labour productivity compared to national average in order to be able to observe better its development in the eight regions.

According to data provided by Eurostat, labour productivity in Romania has dropped considerably in the period 2002-2013. In 2002 compared to 2001, it increased by 17%, after which followed a sudden decline in 2003 of approximately 11%, a downward trend (excepting a mild comeback in 2004 by 5% compared with 2003) which continued until now. In 2013, the real labour productivity grew by 3.7% compared to the year 2012 when there has been a negative evolution (0.8%) compared with 2011.

Thus, it can be seen that in the period 2002-2008, three of the eight regions (Bucharest-Ilfov, Western and Center) have recorded values of labour productivity over the national average. Bucharest-Ilfov region obtained weights of over 200% compared with the national average before the beginning of the economic crisis. The region has gained advantage compared to the rest of the regions which have not exceeded the 120% weight compared to the national average in the same time frame. The lowest level of productivity was found in the Northeast, the region that did not exceed the level of 69% compared to the national average in 2002, year which was followed by a downtrend of weights in productivity until the year 2009.

The economic crisis has generated in 2009 decreasing the level of labour productivity compared to the national average in the regions that

have achieved during 2002-2008 values above the national average. Unlike these, the regions of North-East, South, South-West, North-West and South-East have recorded rises in labour productivity ratios compared to the national average, the South region approaching the national average at just 8 percentage points. Bucharest-Ilfov region continues to be the region that holds the highest level: 188.16%.

After 2009, excepting regions of the Northeast, Northwest and Center, the level of labour productivity has increased, while the South and West regions have obtained weights over the national average, but at a distance of about 80 percentage points compared to the Bucharest-Ilfov region.

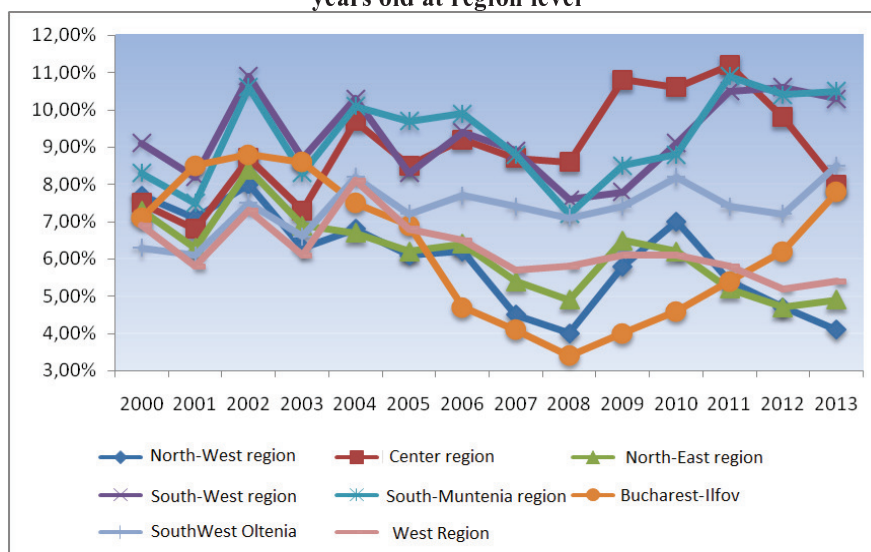
3. The evolution of unemployment at regional level during 2000 -2013

At territorial level, in the year 2013, the number of unemployed increased in 25 counties. The biggest increase was recorded in the following counties: Brasov (with 1487 people), Alba (with 1286 people), Vaslui (with 1219 people), Calarasi (with 827 people), Bacau (with 687 people) and Sibiu (the 579 people). The number of unemployed fell in 16 counties, like in Mures (with 1,356 people), Bihor (with 1268 people), Prahova (with 420 people), Cluj (382 people), Braila (with 380 people) and Olt (with 371 people).

In territorial aspect, in 2013, the highest unemployment rates were registered in the counties of Teleorman (10.66%), Vaslui (10.53%) Alba (10.41%), Mehedinti (10.25%), Dolj (9.60%), Galați (9.22%) and Buzau (8.61%). There are also other counties with high rates of unemployment, but those listed above must be given priority in the rapid creation of new jobs, and where there are large industrial centres, the restructuring process of the reformation must be done with great attention. A low rate of unemployment between 1.86% and 3,21% was registered in Ilfov, Timis and Arad counties. In Bucharest the unemployment rate was 2.02%, but this figure is not 100% relevant, because in this city there are categories of persons who do not have neither jobs nor are registered with the Employment Office. In December 2013, Ilfov County has recorded the lowest rate of unemployment in the country, reaching 1.86 percent, according to the National Institute of Statistics, thus being the county with the least unemployed people. From the number of compensated and uncompensated unemployed persons registered with the agencies for employment, we can highlight the fact that the number of uncompensated unemployed persons has recorded high values throughout the whole year 2013.

The largest share of uncompensated unemployed persons in the total number of unemployed persons was registered in the following counties: Teleorman (77.96%), Dolj (75.55%), Galati (74%), Vaslui (73.90%), Iasi (73.42%), Buzau (72.08%), Alba (71.76%), Satu Mare (70.64%) and Covasna (69.86%) (see figure 3).

Figure3. Evolution of ILO unemployment rate of the population aged 15-64 years old at region level

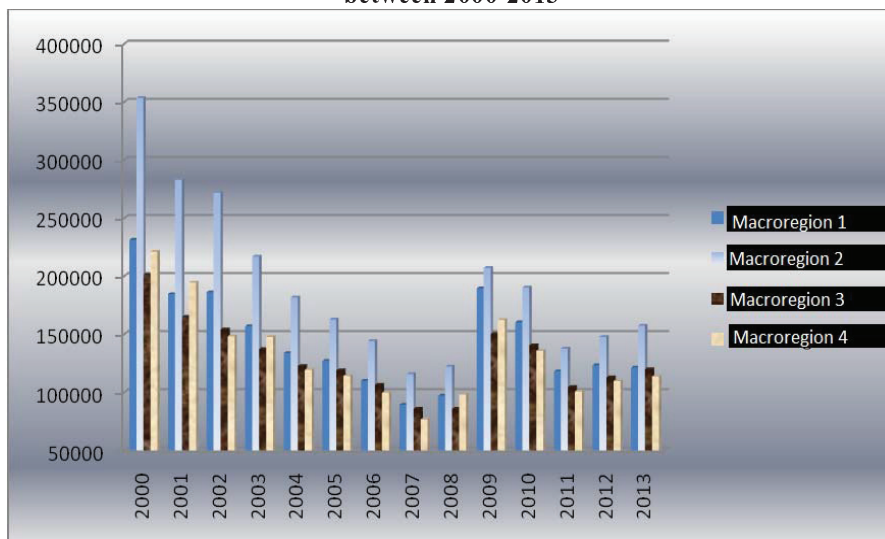


Source: www.insse.ro

The regional unemployment rate has recorded an unstable development between 2000 and 2013; the lowest unemployment rate was registered in the year 2008, in Bucharest-Ilfov region, at 3.40%, while the highest unemployment rate was registered in the year 2011 in the Center region, with a rate of 11.20%.

The unemployment rate in the Northwest region is situated on a growth trend in the period 2000-2006, and since 2007 it appeared to be stabilized this trend but in 2010 the unemployment rate increased 1.2 percentage points compared with the previous year. In 2011 the unemployment rate began decreasing, reaching in 2013 a level of 4.10% (see figure 4).

Figure 4. Evolution of registered unemployed persons by macroregions between 2000-2013



Source: www.insse.ro

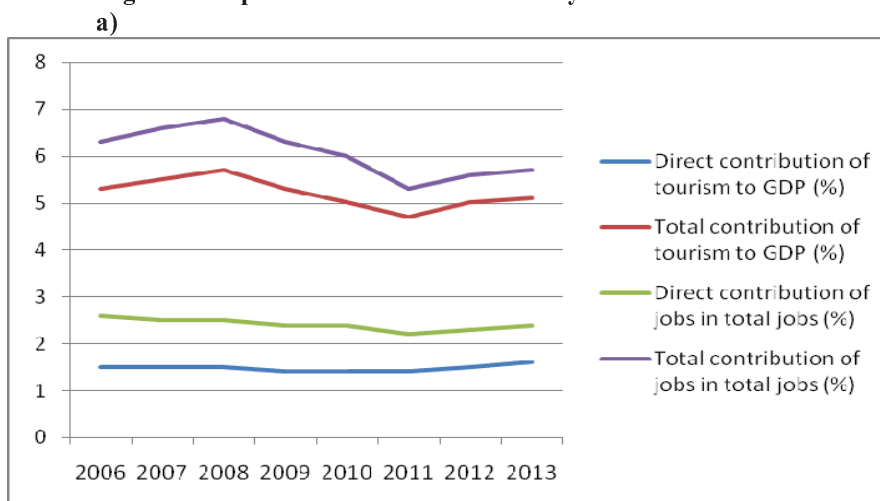
In Macroregion 1, which consists of the North-Western region and Central region, the number of registered unemployed has exceeded 230,000 only in year 2000, and that figure has been shrinking by the year 2007, a year in which the number of unemployed persons decreased in all 4 macroregions. In 2008 the number of jobless persons has started increasing, reaching a value of 121.242 registered unemployed in 2013 in Macroregion 1. In Macroregion 2, consisting of Northeast and the Southeast regions, in 2000 the number of unemployed reached an all-time record of 353.413 unemployed, this colossal number of registered unemployed in this macroregion starting to fall but so far it never made a number of unemployed under 100,000: in 2013 the number of unemployed was 157,381. In Macroregion 3, composed of South-Muntenia and București-Ilfov regions, since 2001 the number of unemployed persons decreased until 2007, after which it was again on the rise, registering in 2013 a number of 120.001 unemployed. Regarding the Macroregion 4 which consists of South-West Oltenia and West regions, in 2007 it has recorded the lowest number of unemployed compared to the other macroregions, 76.777 unemployed, and since 2008 their number started increasing, recording in 2013, 113,769 unemployed.

4. The tourism activity

The importance of tourism in the national economy is reflected through a *direct contribution to GDP of 10.5 billion lei*, i.e. approximately US \$ 3.2 billion in 2013 and *1.6% of GDP*. According to World Trade and Tourist Council, it was estimated that in 2014 the amount of the contribution will increase by 3.7 percent, reaching a value of 10.9 billion lei. Tourism represents after trade the most important branch of the services sector.

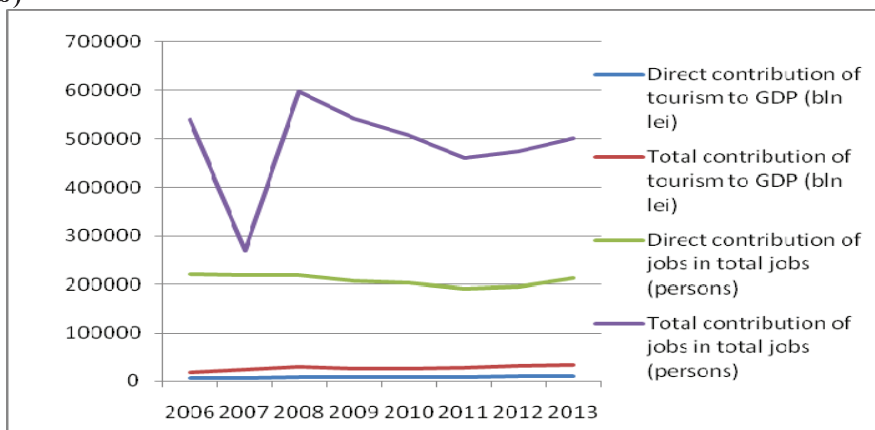
It can be observed that (see figure 5a-b) although the GDP contribution of tourism in value almost doubled in the year 2013, compared with 2006 (about 10.5 billion dollars in 2013, compared to 5.4 billion lei in 2006), its share has varied very little, the difference being only 0.1%. Indirect contribution to tourism in the period 2006-2013 amounts to an average of about 26.71 billion lei annually, meaning a total of approximately 5.2% annually in gross domestic product. At the same time, tourism contributes directly to an average of 208,525 thousands of jobs, taking a share of 2.4% in their yearly total. Total number of jobs (direct and indirect) resulting from tourism amount to approximately 524,460 jobs annually.

Figure 5. Impact of tourism over economy and labour market



Tourism contributes annually about 6% of all existing jobs. The total contribution of tourism to the GDP decreased by 0.2% in the last year compared with 2006, while the share of jobs created directly in the total tourism employment fell by 0.2% in 2011 compared to 2006. The share of tourism employment in total employment has decreased by 0.6%.

b)



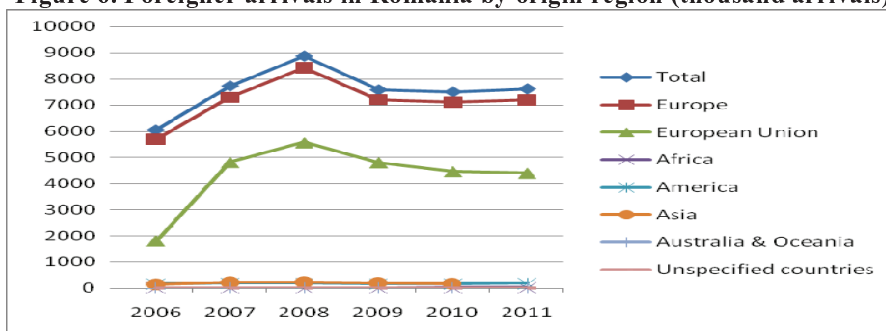
Source: www.eurostat.ro

Therefore, we note that in recent years there is a trend of slight decrease of the effect on the economy and in terms of jobs created.

A great influence on the impact of tourism on the social and economic level is the number of foreigners who come to our country. In Romania an average of 7.55 million non-nationals enter yearly, of which an average of 4.47 million are citizens of the European Union, 194 thousand coming from Asia, 179 thousand from America, 18 thousands in Africa, 13.5 thousand of Australia and Oceania, and one thousand come from unspecified countries. We can see the importance of Europe and the European Union in terms of the number of foreigners visiting the country.

If we look at the arrivals of foreigners in Romania by country of origin we can find that of the total foreign visitors almost 60% (59.20%) come from the European Union (see figure 6).

Figure 6. Foreigner arrivals in Romania by origin region (thousand arrivals)



Source: www.eurostat.ro

In 2006, the share of visitors from the EU was 46.43% and so far it has continued to grow. In last year's survey the percentage of visitors from Asia was 2.77% and from America 2,39%. The total number of visitors increased by 1.574 billions of visitors in 2011 compared to 2006 and in 2008, the year after Romania's accession to the European Union recorded the highest rate of foreign visitors, 8,862 billion. 2008 was the year in which tourism has had the greatest contribution to GDP (5.7%) and the best in terms of jobs created (6.8 percent).

The most important foreigners' access routes towards Romania are by road and by air. Of the total foreign arrivals in the country, over 76% came by road, 3.81% by rail, 17.75% by air and by sea 2.62%. The number of foreigners arriving in Romania by air increased in 2011 compared to 2006 with 387,000 arrivals, while the number of arrivals by rail fell by 56,000 arrivals. Here we can see the opportunity to invest in transport infrastructure in order to increase the number of foreign visitors, on some routes.

From the analysis of the number of units of accommodation as well as accommodation places in service, it can be observed that although the number of accommodation establishments grew up in 2011 with approximately 6.22% compared to 2006, the number of accommodation places decreased by 3.01% in the same period, and the number of accommodation places in service increased by approximately 21.09%, and of total accommodation places in 2011, 278,503 places, only 68,417 are in service, meaning a percentage of 24,56%. Share of accommodation places in service grew during the years of analysis, in 2006 reaching 19,67%.

From the analysis of the number of units of accommodation, accommodation and places to stay in operation, it is observed that although the number of accommodation establishments grew up in 2011 with approximately 6,22 percent compared to 2006, the number of places of accommodation decreased 3,01 per cent in the same period, and the number of accommodation places in service increased by approximately of total% and 21,09 jobs in 2011, 278.503 places, only 68.417 are in service, meaning a percentage of 24,56%. Share accommodation in service jobs grew in the years of analysis, in 2006 being 19,67%.

The situation by region on 31 July 2012 is presented as follows: in the North-Western region there are 604 accommodation units, of which 98 are hotels; the South-East has 974 accommodation establishments of which 374 are hotels; in South-Muntenia region there are 534 tourist accommodation establishments, of which 136 are hotels; Sud-Vest Oltenia has 377 tourist accommodation establishments, of which 95 are hotels; West region has 513 units of which 136 hotels; North-Western has 649 units, of which 163 are hotels; Central region has 1197 units, of which 208 hotels,

and Bucharest-Ilfov region holds 155 accommodation establishments, of which 108 are hotels.

We have noticed that although in the past there have been significant increases in terms of tourist accommodation establishments and tourism accommodation capacity, tourism has stagnated in terms of economic importance. For the harmonious and sustainable development of tourism is needed to act from several directions: increase in the number of establishments will not bring any benefit to the economy if in the tourist areas there is no necessary infrastructure facilitating access in those areas. Therefore, the development of tourism needs investment in infrastructure, a stable legal framework, appropriate and specific to the Romanian tourism and an increase in activities to promote areas with potential for tourist exploitation.

5. Conclusions

The labour market in Romania faces problems such as high unemployment, low quality of work productivity and under-utilisation of the potential workforce. Due to the limited resources available to the employment services of the labour force, combined with the absence of a performance measurement system, we note that both employers and jobseekers are facing employment difficulties. To this there is also added the high percentage (17.3% in 2013) representing young people who do not follow any educational or training program and are not professionally engaged. Thus, it is needed special attention to measures in the field of labour market, establishing clear guidelines concerning the minimum wage, taking into account labor market conditions, but also economic ones and to ensure employability of aged workers.

In order to provide an economic development and increasing efficiency in the economy framework, Romania will have to act to combat long-term unemployment by providing allowances for unemployed workers falling before the expiry of the period of compensation, boosting mobility as well as by means of subsidies granted to workforce engaged in temporary employment programs.

We believe that the main objective of Romania regarding labour force should be investment in human capital, because there is a potential, and increasing the competitiveness of the labour market, through equal opportunities for learning.

In terms of tourist activity we can note that Romanian tourism is a dynamic sector with high potential for capitalization, which, however, does not enjoy sufficient service to generate the positive effects that it might have on the economy. Due to its advantageous geopolitical position, human resources and outstanding natural conditions, tourism could become for

Romania one of the sectors with great importance both economically and socially.

Bibliography

1. Albu, L., Caraiani, P., Iordan, M., (2012) *Perspectivetele pietei muncii din Romania in contextul Strategiei Europa 2020*, Editura Economica, Bucuresti
2. Aradhyula, S., Tronstad, R., (2003) Does Tourism Promote Cross-Border Trade? The American Journal of Agricultural Economics. 85(3): 569-579
3. Barlet S., Collombon, J., M., (2004) *Approches de quelques definitions in Tourisme solidaire et developpement durable*, Les Editions du Gret, Paris
4. Balan, M., Iorgulescu R., (2014) “*Eco-Sustainable Development And Romanian Tourism*”, Annals of the „Constantin Brancusi” University of Targu Jiu, Economy Series, Special Issue/2014-Information society and sustainable development, ISSN 2344–3685/ISSN-L 1844-7007;
5. Bac, D., P., (2013) *Turismul și dezvoltarea durabila. Realitati. Provocari. Oportunitati*, Editura Economica, Bucuresti
6. Neacsu, N., (2000) *Turismul si dezvoltarea durabila*, Editura Expert, Bucuresti
7. Nedelea, Al., (2003) *Piata turistica*, Editura Didactica si Pedagogica, Bucuresti
8. Nistoreanu, P., Dinu, V., Surcel, T., Stanciu, C., Grădinaru, G., Isaic Maniu, I., Ghetu, A., (2004) *Premise ale dezvoltarii durabile in economia romaneasca*, Editura ASE, Bucuresti
9. Raboaca, G., (2003) *Piata muncii si dezvoltarea durabila*, Editura Tribuna Economica, Bucuresti
10. Vanhove, N., (2005), *The Economics of Tourism Destinations*. Elsevier Butterworth-Heinemann, Oxford.
11. Zaman, G., Vasile, V., Surugiu, M., R., Surugiu, C., (2010) *Tourism and Economic Development in Romania: Input-Output Analysis Perspective*, Romanian Journal of Economics, Institute of National Economy, vol. 31(2(40))
12. Statistici Eurostat, www.eurostat.ro
13. Statistici Institutul National de Statistica al Romaniei, www.insse.ro