

THE CRISIS INFLUENCE ON THE UNEMPLOYMENT EVOLUTION

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Abstract:

This paper aims to highlight the important role it has in the economic state of a country and thus, its contribution to maintaining low rates of unemployment in the labor market even in crisis. Since the negative effect of economic crisis or recession on the labor market is reflected in the fact that some employees left without work and result in national unemployment rate increase because of higher number of registered unemployed.

Increasing the number of unemployed is explained on redundancies made by both private sector and in the state most affected areas as textile industries, chemical, mechanical and furniture. SNI results obtained using a different calculation methodology of the international show increased values overall unemployment rate and the number of unemployed since the end of 2008 as a result of the economic crisis affecting our country. Therefore, it appears that the crisis of low employment rate is the most important long-term problem of our economy. Romania should aim for 2020 to bring to fiscal work between one and two million people. Therefore, Romania needs policies that address improving incentives to increase the supply of jobs for some special categories: young, elderly and women and for achieving these objectives is necessary to implement retraining programs and increasing qualifications of older workers and the unemployed.

Following increasing employment is the only sustainable solution to increase revenue (and not raising taxes) and to limit the need for internal and external loans. I believe that the Romanian economy should keep pace with changes at European and global economy through increased competitiveness, innovation and time workforce is highly qualified.

Keywords: unemployment, social protection, labour market, unemployment rate, economic crisis, fiscal policy

JEL Classification: J69

INTRODUCTION

The current crisis of the world economy is passing through reveals common causes, traditional economic of the financial crisis phenomena in general, with other non-traditional specific.

For Romania the economic crisis is not only temporary, it is one started in financing the current account deficit. It is more than that, a crisis of the structure, of vision and above all it is one of ownership of reforms, a leadership crisis. Romania faces a crisis of overconsumption. In detail, there are several causes of economic crisis in Romania, namely:

- ✓ opening the capital account too quickly;
- ✓ the strong desire of consumption, based on short-term external financing;
- ✓ pro-cyclical fiscal and budget policy based on flat and very strong growth of employees' wages, while the economy is expanding;
- ✓ postponement of structural reforms;
- ✓ reduced absorption of structural funds;
- ✓ -unsustainable growth based on internal and external economic and financial imbalances
 - non-synchronization between real and nominal economy (mismatch between profit, interest and growth);
- ✓ -labor market distortions: brain drain, shortage of construction workforce;
 - expansion of housing sector;

- ✓ -denying the crisis before the elections of November 2008, this led to the postponement of implementation of the preventive measures and increasing imbalances, including the last hundred meters.

There were also cases of cyclical crisis - perhaps a higher degree of absorption of structural funds should be provided some protection to winning companies or the government must now reduce its level of expenditure. Perhaps an earlier acceptance of the crisis would have warned the last increase of salaries and pensions at the second half of 2008.

DEVELOPMENTS OF THE UNEMPLOYMENT

As a result of the economic instability, the implementation of restructuring programs of the national economy, some as inconsistent as priority directions of action, predominantly passive nature (until the late 90's) social protection policies for the unemployed, often inadequate for the needs of the real economy, pressure on the supply of labor performed by persons born in the late 60s and early 70s, there was an upward trend in unemployment in our country.

I believe that the phenomenon of unemployment, having its premises in the socialist economies failures, particularly in employment, was a permanent period of transition to market economy, because then it is chronic and is show growth in recent economic periods. With the first regulatory litigation, namely Law no. 1 / 1991 on social protection of unemployed persons and their reintegration training, the unemployment began to be shown on entry to unemployment offices, because, since 1994, it was assessed by the household survey, unemployment in meaning criteria reflecting International Labour Office.

This unemployment picture, on years is as follows:

Table no. 1. The unemployment evolution during 1991-2010

	Year	Annual media	Unemployment totally number
The rate of the unemployment (total) %	1991	1,8	201.875
	1992	5,4	605.350
	1993	9,2	1.047.260
	1994	11,0	1.229.748
	1995	10,0	1.111.327
	1996	7,8	814.292
	1997	7,5	748.982
	1998	9,3	917.069
	1999	11,4	1.118.877
	2000	11,2	1.067.206
	2001	9,0	866.498
	2002	10,2	954.546
	2003	7,6	689.531
	2004	6,8	607.192
	2005	5,8	513.721
	2006	5,4	484.698
2007	4,3	386.667	
2008	4,0	362.429	
2009	6,3	572.974	
2010	7,91	724.137	

Unemployment rates are calculated by the Statistics National Institute

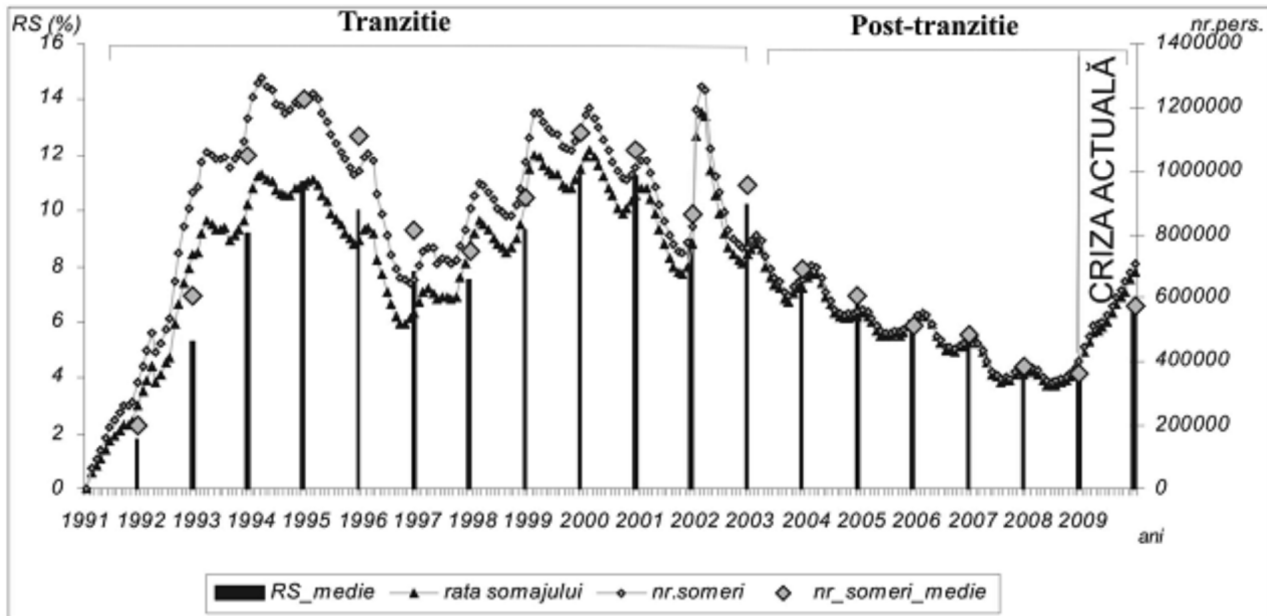


Figure no. 1. Monthly evolution of the general rate of unemployment and unemployed people

Source: www.anofm

Thus, in 1991, the average unemployment rate was 1.8% and the number of unemployed by 201,875 and in 2002 had increased to 10.2% variables, respectively 954 546 unemployed. For the next period, the trend unemployment has been decreasing (in 2003, the average unemployment rate was 7.6% and in 2008 fell to 4 variables,%), considered by experts in economics as too rapid to be sustained investment, creating jobs.

As a result, the low level of unemployment is explained mostly by growth, but in the case of Romania, is explained by the obvious action of several factors: labor gone abroad (1.5 - 2 million people) while the majority are people who, if he had remained in the country were unemployed, the population employed in subsistence farming that had no job and a steady income and was in a precarious socio-economic position; employment unit engaged in economic losses that would become unemployed if the subsidies will be stopped, early retirement decreased pressure on the labor market but led to increasing economic dependence. [1]

SNI results obtained using a different calculation methodology of the international show increased values overall unemployment rate and the number of unemployed by 2003. Since that year, Romania seems to have won the fight with unemployment, even in periods of strong restructuring.

So today marks the end of the middle decade of generally positive trend in unemployment and the beginning of the fall, until the onset of economic and financial crisis in Romania. It appears that the crisis in low employment rate is the most important economic issue of our time. As a result, more than four in ten Romanian active not is working, at least not in the formal fiscal economy. The employment rate is lower for some disadvantaged groups such as women, older persons (55-65 years) and youth (up to 24 years). Romania should aim for 2020 to bring to fiscal labor between one and two million people (which would mean another one or two out of ten active Romanian).

I believe that Romania needs policies that address improving incentives to increase the supply of jobs for some special categories: young, elderly and women. Such measures include more flexible working conditions, such as part-time contracts and temporary, increased assistance for job identification and guidance, and dedicated programs, including subsidizing jobs where necessary.

In the same time should be removed the imbalance between the number of contributors and beneficiaries, to increase revenues to the pension fund, financial incentives to encourage workers to remain employed longer or to return to the labor market. To achieve these goals are implemented retraining programs and increasing skills of older workers and the unemployed. Rising employment is the only sustainable solution to increase revenue (and not raising taxes) and to limit the need for internal and external loans. Public policy efforts should be geared towards increasing employment rate (and not, as happens now, to ease personnel) solution that reduces both the macroeconomic vulnerability and social inequality (by default, reduce the need social welfare spending).

Analysis throughout the entire period in the labor market in Romania was characterized by large regional disparities, with increases the unemployment in some counties. Therefore, this unemployment development is manifested differently at regional level - there are differences between east and west of the country.

Table no. 2. Total number of registered unemployed and unemployment rate by country and by counties

No	County	Total no of unemploy- -ment	Unemploy- -ment rate	Total no of unemploy- -ment	Unemploy- -ment rate	Total no of unemploy- -ment	Unemploy- -ment rate
ctr.		omeri 31.05.2010	(%) 31.05.2010	31.12.2009	(%) 31.12.2009	31.12.2008	(%) 31.12.2008
0	1	2	7,0	2	7	2	7
1	ALBA	20553	11,33	22767	12,6	12827	7,0
2	ARAD	13426	6,25	14591	6,8	6549	3,0
3	ARGES	23517	8,74	25229	9,4	13131	4,8
4	BACAU	19600	8,30	21094	8,9	12411	5,3
5	BIHOR	17072	6,01	16679	5,9	8596	3,0
6	BISTRITA	10806	8,20	11124	8,4	3614	2,8
7	BOTOSANI	10726	6,93	11231	7,3	5519	3,5
8	BRASOV	20802	8,31	21825	8,7	10655	4,3
9	BRAILA	11349	8,21	11101	8,0	6026	4,4
10	BUCURESTI	28553	2,50	26156	2,3	18274	1,7
11	BUZAU	18607	9,82	17920	9,5	10854	5,6
12	CARAS SEVERIN	12694	9,86	13326	10,4	7698	5,8
13	CALARASI	9435	8,83	9861	9,2	5463	5,1
14	CLUJ	21366	6,20	21725	6,3	9998	2,9
15	CONSTANTA	19518	6,13	20198	6,3	9612	3,1
16	COVASNA	10425	11,11	10408	11,1	6786	7,2
17	DAMBOVITA	18362	8,74	17979	8,6	11715	5,5
18	DOLJ	35111	11,67	33643	11,2	24310	8,4
19	GALATI	23993	10,87	24555	11,1	14538	6,6
20	GIURGIU	7525	8,16	6681	7,2	4181	4,6
21	GORJ	16857	11,21	16464	10,9	10994	7,4
22	HARGHITA	13883	9,69	15125	10,6	9280	6,6
23	HUNEDOARA	21598	10,45	21819	10,6	13826	6,6
24	IALOMITA	11956	11,35	12256	11,6	5204	4,8
25	IASI	24298	7,77	22898	7,3	16905	5,4

26	ILFOV	4548	2,81	3899	2,4	2098	1,4
27	MARAMURES	12796	6,22	13282	6,5	7577	3,7
28	MEHEDINTI	16002	12,99	17363	14,1	11429	9,3
29	MURES	19798	7,97	19999	8,1	11607	4,7
30	NEAMT	19052	9,43	16140	8,0	8223	4,0
31	OLT	15405	8,62	15694	8,8	9463	5,2
32	PRAHOVA	28997	9,22	28321	9,0	12122	3,8
33	SATU-MARE	9423	6,06	10135	6,5	4600	3,0
34	SALAJ	9783	9,19	11164	10,5	5845	5,5
35	SIBIU	12964	6,96	15315	8,2	5794	3,1
36	SUCEAVA	19669	7,79	20101	8,0	10963	4,3
37	TELEORMAN	20843	12,37	19976	11,9	13702	8,0
38	TIMIS	14888	4,38	15114	4,4	5568	1,6
39	TULCEA	7003	7,71	8024	8,8	4005	4,4
40	VASLUI	22747	14,10	22622	14,0	16458	10,2
41	VALCEA	13871	7,78	14359	8,1	8344	4,7
42	VRANCEA	12033	7,95	11220	7,4	6677	4,4
	TOTAL	701.854	7,67	709.383	7,8	403.441	4,4

Source: http://www.anofm.ro/1764_numarul-total-de-someri-inregistrati-si-rata-somajului-pe-tara-si-pe-judete-la-data-de-31-12-2008,2009,2010

According to data from the National Agency for Employment, the number of registered unemployed at the end of May 2010 was 701,854 thousand. Compared with December of 2009, the number of unemployed registered at employment agencies was lower with 7.529 million people. At the territorial level, the number of unemployed rose in 15 counties and in Bucharest. These increases were registered in the counties of Neamt, Iasi, Dolj, Ilfov, Vrancea, Buzau, Bihar, Vaslui, Teleorman, Prahova, Gorj, Giurgiu, Dambovita, Covasna, Braila. The number of unemployed fell more than half the counties.

Therefore, demographic and occupational management in our country should take into account firstly, indestructible unit of labor market mechanisms and responsible involvement of public power, the rule of law.

So the gap between demand and oversupply of labor has decreased slightly, due to a relative increase in employment opportunities during March to May 2010 and cooling trends of increasing unemployment. However, the absorption of labor force remained significantly lower than pre-crisis period.

Because of this It must be taken the decision to avoid the tendencies of non-financial firms to reduce (or optimize) variable costs, especially wage costs such as internal and external result of reduced domestic production through fewer employees.

CONCLUSIONS

Throughout the economy, unemployment is an important consequence of lost production. This effect is manifested more pronounced in periods of recession. Thus reduced production, lower income businesses, and state tax revenues decline and as the population is affected again by reducing government transfers.

It can therefore be considered a series of solutions that could lead to the recovery of the country's economic situation. Mainly government's fiscal policy must change course. It can not increase budget revenues by increasing taxes but by stimulating consumption and helping small

businesses. So, by reducing taxation. Failure on these proposals especially for crisis led to business suspension or dissolution of a large number of SME's in the past year.

In parallel with the reduction of taxation, Romania needs a stable domestic macroeconomic environment based on low inflation and bank interest.

Also required is a solution for creating an institutional and administrative transparency with opacity and reduced bureaucracy.

I believe that unemployment is a 'bad' office just as production is "better" social. The result of both models applied, and the Anglo-Saxon (based on laissez-faire and market dominance), and Europe (the welfare state, the welfare state) have proved not only limits but also dangers, namely the potential to generate crisis and the ideal would be a third way, a market economy, but governments provide necessary public services and where there is a supervisory "healthy" economy and financial system.

As a result, economic efficiency required by emphasizing the three relationships: between the process of economic growth, productivity, labor demand and the specific duration of working hours, between labor supply and demand, between wages and inflation rate through the purchasing power index.

¹Irena Mocanu (2009), *Unemployment in Romania. Regional disparities, Romanian Statistical Review, no. 4 National Institute of Statistics, Bucharest*

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