

UNEMPLOYMENT - A MULTIDIMENSIONAL DILEMMA OF ROMANIAN ECONOMY IN TRANSITION

Abstract

Unemployment is a macro-economic and social imbalance state that occurs in a state economy, and adversely affect the available working population, they could not ensure a job.

According to the findings of the International Labour Organization (ILO) is defined as unemployed anyone who has more than 15 years, is able to work, not work, is able to perform an employee or otherwise and is looking for a job.

With contemporary unemployment is considered a major national labor market imbalance between global demand and global supply of labor. Types and causes of unemployment are currently highly controversial. As macro-social phenomenon of the Romanian economy, the most widely accepted causes of unemployment generators are grouped by specialists, in causes of balance and causes of imbalance.

Measuring unemployment involves taking into account the intensity and evaluation of its duration.

After level reached, unemployment can be expressed in absolute figures by a number of unemployed and by the unemployment rate, relatively. Current statistics considers it's possible to decrease the unemployment figure from 6.6% in 2011 to 5.8% in 2012. The cost of unemployment in the economy and society is very complex and comprehensive, because it leads to a significant waste of labor resources, it reduces the intensity of economic development and decreases state revenues by increasing spending on social protection and maintenance of the unemployed population, so unemployment population is demoralized.

Therefore, to reduce unemployment steady state will have to apply a policy of protection and rational employment of workers by introducing measures for effective management of human resources aimed at the overall economic recovery.

Only in this way, it may provide labor flexibility through the adoption of proactive programs, medium and long term prospective. Relevant analysis of the problem of unemployment through the existing economic imbalances leads us to conclude that balanced economic and social development can not necessarily be accompanied by doing away with unemployment, but that it could create the favorable conditions under control.

Keywords: *unemployment, imbalance, causes, effects, actions, cost.*

1. Importance of this problem

Reduce the number of existing unemployment problem in the transition period is a multifactorial and actuality dilemma of the Romanian economy, which has excited and incites yet the analytical and forecasting spirit of our researchers in this realm. Its solution requires adequate social protection, based on a fair application of policies for growth and recovery of production, so these policies will be able to increase the number of jobs. We believe that the current conditions, the macroeconomic scenario of unemployment evaluation in our country must consider the reforms against the background of global financial crisis first, and urgent action on deficiencies of internal, secondly, so the target final is getting sustainable growth, as evidenced by improving the main macroeconomic indicators. Note that the records of the National Agency for Employment, in the first quarter were 765,285 unemployed, the unemployment rate was 8.36%.

Unemployment is an inevitable companion of the market economy, its evolution is driven restructuring and integration increasingly strong Romanian economy policy in the world economy. He is perceived as a process imbalance of modern economies, "because it means a

¹ Lecturer PhD. University "Titu Maiorescu", Bucharest, Faculty of Economics, e-mail: diana_mandricel@yahoo.com

waste of labor, of precious resources, but also a social problem, the cause of deep suffering of many people who struggle to survive using minimal disposable income "¹. Being one unanimous, the phenomenon of unemployment in Romania, "is the result of many influences: physical, biological, psychological, political, economic and legal and legislative are knitting each other in an interdependent, generating specific types of unemployment, found in our economy "²

In accordance with the criteria of the International Labour Organization (ILO), unemployed persons are aged 15 years and older, who meet the following conditions:

- not have a job and do not undertake an activity in order to get income;
- are looking for a job using multiple methods of finding such as:
- entry to employment and training agency or private agencies for placement,
- steps to start an own business,
- publication of notices and responses to advertisements,
- are available to start work within the next 15 days, if he could immediately find a job.

Measuring unemployment involves taking into account the intensity and evaluation of its duration, the time interval that elapsed between the stoppage of work submitted or decrease the intensity of performance, to resume normal work.

Over time, duration of unemployment was an increasing trend reaching in some cases 18-24 months, is considered a long-term unemployment not exceeding 12 months. To address the status of unemployed, 43 of the Constitution of 1991, requires the state to guarantee their citizens a decent standard of living, using a set of measures to correct deficiencies caused economic and social benefits.

2. Causes and types of unemployment

Unemployment is not a uniform size, but he knows many forms of expression which differ in their diversity, and are named for the causes underlying their genesis.

Therefore causal typology of employment and unemployment is now extremely controversial and theories fail to provide viable solutions to very complex problems in the labor market, and can not keep up with rapid changes in the global economy in which "time is seems that there is patient. "

Unemployment as a macrosocial phenomenon of Romanian economy "has multiple causes, which range from the status of economic and social, both those who employ labor, and those who provide labor in market conditions"³

In the first meaning, causes of, examined by specialists, are grouped in generators of:

- imbalance of unemployment and
- causes of equilibrium unemployment.

Unemployment imbalance is characterized by "complex social and economic processes, such as unfavorable development of economic activities or to substitute labor by capital, pressure from trade unions on increasing minimum wage, increase employment, especially in the younger generation, increasing not correlated with wage growth in the labor supply of middle-aged people "⁴

¹ Mimi Petrișan, Unemployment in Romania, Universitaria Publisher, Craiova, 2007, p. 28

² *Ibidem*, p. 216

³ *Ibidem*, p. 38

⁴ Gh., Pârvu, Political Economics, Universitaria Publisher, Craiova, p. 295

⁵ Mimi Petrișan, Unemployment in Romania, Universitaria Publisher, Craiova, 2007, p. 43

Equilibrium unemployment is generated by existing microeconomic failures. It occurs when economic activity is in balance overall, but some of the available working population can not find a job immediately.

Another delimitation of unemployment is voluntary unemployment and involuntary unemployment.

Voluntary redundancy means that the workers denied opportunities to engage in certain jobs at the wages offered to the market, and the involuntary is when not enough jobs to pay existing.

The most common classification system is based on dividing unemployment following cases:

- term unemployment
- frictional unemployment
- structural unemployment.

Unemployment term is due to an excess supply of labor, as market demand is too low.

Frictional unemployment in the process of finding a job is central, employers wanting to fill vacant jobs at a time, as potential employees choose the best deal.

Mismatch or structural unemployment is determined by trends in economic restructuring, social and geographical place in various countries under the influence of scientific-technical revolution and the energy crisis which causes serious mismatch between labor supply and demand. It is noted that: "In times of essential restructuring of the economy, such as those of the transition from centralized to market economy, unemployment is the main structural unemployment"⁵

After the relationship between supply and demand is identified

- seasonal unemployment and
- cyclical unemployment

Unemployment is determined by fluctuations in seasonal demand for labor that can be anticipated and follows a regular pattern throughout the year (application in agriculture and construction workers decreases in the winter months).

To attract workers in such sectors are required compensating their wages.

Unemployment is cyclical (Keynesian) resulting from insufficient demand in all sectors that require specific government programs increase the supply of public and private sector development.

3. Unemployment in economies in transition to market economy

The transition is essentially a very complex and difficult, as "The phenomenon of labor employment in the transition to market economy, reflected in deep macroeconomic imbalances, is a big issue, with special meaning and significance that is determined to solve an imperfect labor market, segmented, rigid and fragile with a powerful explosive"⁶

Thus, decrease labor employment is in the foreground, being driven by a series of triggers, including:

- rapid liberalization of the labor market
- impaired productive economy
- drop in capacity investment
- permanence of inflation
- sudden reduction of working hours to 8 hours per week

⁶ *Ibidem*, p. 58.

- extended period of leave
- early retirement

All these factors led to the rapid increase in unemployment which is "the most worrying phenomenon facing the labor market in the period of transition caused by the early restructuring of an economy suffering from inefficiency, caused by poor management of labor and the insufficient jobs characterized by high and his chronic (long-term unemployment), groups of people most affected are young men and women"⁷

During this transition period of almost 20 years, traveled to our country number and percentage unemployment rate ILO (International Labour Office) has known a sinuous evolution and sometimes unpredictable variations in percentage, number and sex and on average each year as shown by the following 5 tables attached and whose source is Romanian Statistical Yearbook and Statistical bulletins for the years 1992-2009.

For period 1991-2005 the maximum unemployment was reached in 1994 when almost 1.3 million people had no jobs, and between 2006-2009, the situation is as follows:

In 2006, 707,000 ILO unemployed

In 2006, 599,000 ILO unemployed

In 2006, 568,000 ILO unemployed

In 2006, 731,000 ILO unemployed

There is an increasing trend in unemployment in 2009, when there were 731 000 unemployed. This figure of 2009 is maintained in the first quarter of 2010 when there were 765,285 unemployed.

4. Objectives and strategies to remedy unemployment in our country

Reducing unemployment in Romania is a major economic objective, targeting priority economic reform overall achievement of all its structures.

So: urgent need to reorient the entire industrial, developing those areas which have favorable conditions both by available resources and the demand;

- those branches which will remain relevant to the national economy and for whose creation they have made great efforts to promote investment in new technologies and review strategies to prepare forms of labor, demand for growth.

Given that the target base success our reform is to increase the living standards of citizens, in line with the EU, should be greater protection for individual rights and liberties. We also believe that improving education and training focused on current needs, will be able to contribute effectively to reducing unemployment, limiting poverty that we face today

In this context, policy makers have socio-economic mission to balance supply and demand report on labor market and to develop economic development strategies, the implementation of effective policies for employment and creating jobs institutional framework and appropriate legal, according to the provisions of the Lisbon Strategy adopted in 2000.

Remedies in this direction are:

- avoid long term unemployment
- providing financial support for disadvantaged groups;
- maintain citizen confidence in the beneficial and successful action by competent legislative reform

In this respect, "Strategy 60 points for redeployment and the retention of population", agreed and promoted by the European Union, "represents a specific action that combines free market forces with government involvement in ensuring full employment of resources work"⁸

⁷ *Ibidem*, p. 59.

⁸ A. Anderton , *Economics*, Causeway Press Limited, Staffordshire University, 1995, p. 595-596.

The strategy is aimed at creating and disseminating technological know-how, improve the labor force, reducing unemployment and improving aid collected.

We believe that "success strategies of employment depends to a decisive extent on the quality of their implementation and its implementation in turn depends on political commitment and involvement of social partners and other institutions as decision makers"⁹

The key decision makers acting include: Ministry of Labour, Social Solidarity and Family (MMSSF), National Agency for Employment (NAE), National Commission for Promotion of Employment (NCE), National Agency for Small and Medium (National Agency), Ministry of Education, Research and Innovation (MERI), Ministry of Health (MoH), Ministry of Economy and Commerce (MEC), Ministry of European Integration (MEI) and the Ministry of Public Finance (MFP).

5. Conclusions

Unemployment during the transition occurs and is manifested by an imbalance of the national labor market, building on the gap between global supply and demand work.

Peculiarities of demographic, socio-economic and cultural development existing influence of time, determining and balancing mechanisms and reducing its social costs that society must pay and which is one of its main effects.

The most obvious cost of unemployment is the "unemployed themselves", the financial losses arising from the difference between wages and unemployment benefits had previously, leading to discourage them because of the strong psychological impact.

It is noted that unemployment affects mostly young (migrating), female sex workers in industry, who are made redundant due to restructuring and the existence of multiple incomplete legislation.

To combat the effects of unemployment in Romania and especially of the long-term need:

- incentives to employers for the employment of graduate education, counseling, vocational training and consultancy for setting up small businesses;
- providing benefits for the unemployed falling before the expiry of compensation;
- stimulate mobility by subsidizing their employment temporarily
- reducing unemployment among disadvantaged
- extension of active labor employees by raising the retirement age;
- continuous professional development courses
- creating jobs locally to reduce regional disparities
- promoting social dialogue
- ensure an appropriate competitive environment to foster competence, quality and professionalism of the human factor;
- increase labor market flexibility in terms internal and external salary.

Streamlining these strategies on fighting unemployment should eventually lead to increased human capital and its competitiveness on the labor market by "providing equal opportunities for lifelong learning and the development of a modern labor market, flexible and inclusive lead to 2015 to achieve an employment rate above 70%, while maintaining an unemployment rate below 6%"¹⁰

We believe that through this work I managed to sketch a largely sides fundamental phenomenology unemployment in Romania, by submitting content, significance, implications and indicators obtained to date, summarizing some solutions and possible remedies of this evil

⁹ Mimi Petrișan, *op. cit.*, p. 187.

¹⁰ Mimi Petrișan, *op. cit.*, p. 221.

economic and social affiliation period transition, which we could draw some beneficial directions for future action.

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Table 1

The evolution of unemployment in the period 1991-2005

| Year | Number of registered unemployed at the end of the year | Unemployment rate | Unemployment number BIM (thousands of) | Unemployment rate BIM (%) |
|------|--|-------------------|--|---------------------------|
| 1991 | 337.4 | 3.0 | - | - |
| 1992 | 929.0 | 8.4 | - | - |
| 1993 | 1164.7 | 10.2 | - | - |
| 1994 | 1323.9 | 10.9 | 971 | 8.2 |
| 1995 | 998.4 | 8.9 | 968 | 8.0 |
| 1996 | 652.0 | 6.2 | 791 | 6.7 |
| 1997 | 816.3 | 9.3 | 706 | 6 |
| 1998 | 1025.0 | 10.4 | 732 | 6.3 |
| 1999 | 1130.3 | 11.8 | 790 | 6.8 |
| 2000 | 1007.1 | 10.5 | 821 | 7.1 |
| 2001 | 826.9 | 8.8 | 750 | 6.6 |
| 2002 | 760.6 | 8.4 | 845 | 8.4 |
| 2003 | 658.9 | 7.4 | 692 | 7.0 |
| 2004 | 557.9 | 6.3 | 680 | 6.8 |
| 2005 | 523 | 5.9 | 650 | 6.5 |

Source: Romanian Statistical Yearbook 1992-2004, the Statistical Bulletin 1997-2006, surveys of labor in households (AMIGO) 1994-2005

Table 2

Public participation in the workforce, by sex and area, in the fourth quarter 2006

| | (Thousands of People) | Male (Thousands of People) | Female (Thousands of People) | Urban (Thousands of People) | Rural (Thousands of People) |
|-----------------------|-----------------------|----------------------------|------------------------------|-----------------------------|-----------------------------|
| Activ people | 9802 | 5463 | 4339 | 5421 | 4381 |
| Employment | 9095 | 5011 | 4084 | 4953 | 4142 |
| Unemployment | 707 | 452 | 255 | 468 | 239 |
| Inactiv people | 11782 | 5058 | 6724 | 6460 | 5322 |

| | Total (per cent) | Male (%) | Female (%) | Urban (%) | Rural (%) |
|------------------------------|------------------|-------------|-------------|-------------|-------------|
| Activity rate | 62.1 | 69.9 | 54.4 | 60.7 | 64.1 |
| 15-24 years | 29.5 | 34.4 | 24.5 | 23.2 | 38.3 |
| 25-54 years | 78.5 | 86.7 | 70.2 | 79.9 | 76.3 |
| 55-64 years | 40.3 | 50.3 | 31.5 | 28.2 | 54.5 |
| Employment rate | 57.4 | 63.9 | 51.0 | 55.5 | 60.3 |
| 15-24 years | 23.2 | 26.8 | 19.4 | 16.4 | 32.4 |
| 25-54 years | 73.5 | 80.4 | 66.7 | 74.3 | 72.3 |
| 55-64 years | 39.1 | 48.1 | 31.2 | 26.9 | 53.5 |
| Unemployment rate BIM | 7.2 | 8.3 | 5.9 | 8.6 | 5.5 |
| 15-24 years | 21.5 | 22.1 | 20.6 | 29.1 | 15.2 |
| 25 years and more | 5.7 | 6.7 | 4.4 | 6.8 | 4.1 |

Source: Romanian Statistical Yearbook 1992-2004, the Statistical Bulletin 1997-2006, surveys of labor in households (AMIGO) 1994-2005

Calculations for the working age population (15-64 years).

Table 3

Public participation in the workforce, by sex and area, in the fourth quarter 2007

| | (Thousands of People) | Male (Thousands of People) | Female (Thousands of People) | Urban (Thousands of People) | Rural (Thousands of People) |
|-----------------------|-----------------------|----------------------------|------------------------------|-----------------------------|-----------------------------|
| Activ people | 9773 | 5418 | 4355 | 5406 | 4367 |
| Employment | 9174 | 5031 | 4143 | 5009 | 4165 |
| Unemployment ILO | 599 | 387 | 212 | 397 | 202 |
| Inactiv people | 11765 | 5079 | 6686 | 6443 | 5322 |

| | Total (%) | Male (%) | Female (%) | Urban(%) | Rural(%) |
|------------------------------|-------------|-------------|-------------|-------------|-------------|
| Activity rate | 61,8 | 69,3 | 54,5 | 60,8 | 63,4 |
| 15-24 15-24 years old | 28.0 | 33.9 | 21.9 | 23.1 | 34.6 |
| 25-54 years old | 78.1 | 85.5 | 70.6 | 79.6 | 75.7 |
| 55-64 years old | 41.9 | 51.1 | 33.9 | 29.9 | 56.6 |
| Employment rate | 57,9 | 64,1 | 51,7 | 56,3 | 60,1 |
| 15-24 years old | 22.7 | 26.5 | 18.8 | 17.7 | 29.4 |
| 25-54 years old | 73.7 | 80.1 | 67.2 | 74.6 | 72.4 |
| 55-64 years old | 41.3 | 49.9 | 33.7 | 29.1 | 56.2 |
| ILO unemployment rate | 6,1 | 7,2 | 4,9 | 7,3 | 4,6 |
| 15-24 Years old | 18.9 | 21.8 | 14.2 | 23.2 | 15.2 |
| 25 years old and more | 4.8 | 5.5 | 4.1 | 6.0 | 3.4 |

Calculations for the working age population (15-64 years old).

Source: Romanian Statistical Yearbook 1992-2004, the Statistical Bulletin 1997-2007, surveys of labor in households (AMIGO) 1994-2006

Table 4

Public participation in the workforce, by sex and area, in the fourth quarter 2008

| | Total (Thousands of People) | Male (Thousands of People) | Female (Thousands of People) | Urban (Thousands of People) | Rural (Thousands of People) |
|-------------------------------------|-----------------------------|----------------------------|------------------------------|-----------------------------|-----------------------------|
| Active population from which | 9805 | 5457 | 4348 | 5451 | 4354 |
| Employment | 9237 | 5091 | 4146 | 5096 | 4141 |
| Unemployment ILO | 568 | 366 | 202 | 355 | 213 |
| Inactiv people | 11699 | 5021 | 6678 | 6356 | 5343 |

| | Total (%) | Male (%) | Female (%) | Urban(%) | Rural (%) |
|------------------------------|-------------|-------------|-------------|-------------|-------------|
| Activity rate | 62,0 | 69,7 | 54,4 | 61,6 | 62,7 |
| 15-24 years old | 28.5 | 33.6 | 23.1 | 23.6 | 34.7 |
| 25-54 years old | 77.8 | 85.5 | 70.1 | 79.9 | 74.6 |
| 55-64 years old | 43.5 | 54.4 | 33.8 | 33.5 | 56.1 |
| Employment rate | 58,3 | 64,9 | 51,7 | 57,6 | 59,3 |
| 15-24 Years old | 23.4 | 27.5 | 19.1 | 18.4 | 29.8 |
| 25-54 Years old | 73.6 | 80.1 | 67.1 | 75.4 | 70.9 |
| 55-64 Years old | 43.0 | 53.5 | 33.8 | 33.0 | 55.7 |
| ILO unemployment rate | 5,8 | 6,7 | 4,6 | 6,5 | 4,9 |
| 15-24 Years old | 17.9 | 18.3 | 17.4 | 22.2 | 14.2 |
| 25 Years old and more | 4.6 | 5.5 | 3.5 | 5.2 | 3.7 |

Calculations for the working age population (15-64 years).

Source: Romanian Statistical Yearbook 1992-2004, the Statistical Bulletin 1997-2008, surveys of labor in households (AMIGO) 1994-2007

Table 5

Public participation in the workforce, by sex and area, in the fourth quarter 2009

| | Total (Thousands of People) | Male (Thousands of People) | Female (Thousands of People) | Urban (Thousands of People) | Rural (Thousands of People) |
|-------------------------------------|-----------------------------------|----------------------------------|------------------------------------|-----------------------------------|-----------------------------------|
| Active population from which | 9758 | 5432 | 4326 | 5445 | 4313 |
| Employment | 9027 | 4992 | 4035 | 4963 | 4064 |
| Unemployment ILO | 731 | 440 | 291 | 482 | 249 |
| Inactive people | 11712 | 5025 | 6687 | 6343 | 5369 |

| | Total (%) | Male (%) | Female (%) | Urban (%) | Rural (%) |
|------------------------------|-------------|-------------|-------------|-------------|-------------|
| Activity rate | 62.3 | 69.9 | 54.7 | 61.9 | 62.8 |
| 15-24 Years old | 29.3 | 33.3 | 25.1 | 23.8 | 36.1 |
| 25-54 Years old | 77.9 | 85.7 | 69.9 | 80.3 | 74.2 |
| 55-64 Years old | 43.1 | 53.9 | 33.5 | 33.3 | 56.1 |
| Employment rate | 57.4 | 64.0 | 50.8 | 56.4 | 58.8 |
| 15-24 Years old | 23.5 | 26.6 | 20.2 | 17.3 | 31.0 |
| 25-54 Years old | 72.5 | 79.3 | 65.5 | 74.1 | 70.1 |
| 55-64 Years old | 41.3 | 51.2 | 32.7 | 31.7 | 54.1 |
| ILO unemployment rate | 7.5 | 8.1 | 6.7 | 8.9 | 5.8 |
| 15-24 Years old | 20.0 | 20.4 | 19.5 | 27.4 | 14.0 |
| 25 Years old and more | 6.2 | 6.8 | 5.5 | 7.4 | 4.7 |

Calculations for the working age population (15-64 years old).

Source: Romanian Statistical Yearbook 1992-2004, the Statistical Bulletin 1997-2009, surveys of labor in households (AMIGO) 1994-2008