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# **Working Time During the Economic Crisis and the Impact on Romanian Working Life**

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## **WORKING TIME DURING THE ECONOMIC CRISIS AND THE IMPACT ON ROMANIAN WORKING LIFE**

*Abstract*

*In the recession period, population spent their time differently by an economic development one. In our view, the economic crisis has a major negative impact on the working time. On the basis of data provided by two statistical surveys (Time Use Survey and Labour Force Survey), the paper will analyze the current situation of the working hours of Romanian population and it presents a comparison between the total time spent at work in the period 2008-2009 and the hours spent at working places in a normal period of economic growth (2000).*

*Underemployment<sup>1</sup> is high in the crisis time. There are at least two mechanisms through which working hours fall at the level of national economy: one of them has a short term impact on the labour market deriving from the government measures and policies against the recession. The second mechanism is a consequence of the decrease of production, phenomenon with a real long term impact on the level of employment. In this study we will also analyze how the crises modify the general characteristics of the labour market.*

**Key words:** unemployment, crisis, underemployment, time allocation, working time

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<sup>1</sup> *A measure of employment and labor utilization in the economy that shows how well the labor force is being utilized in terms of skills, experience and availability to work. Labor that falls under the underemployment classification includes highly skilled workers working in low paid jobs, workers that are highly skilled but work in low skill jobs and part-time workers that would prefer to be full-time. This is different from unemployment in that the individual is working but is not working at their full capability.*

## **INTRODUCTION**

The financial crisis which started in the second half of 2008 in the United States has spread in a very short time in almost all world states. The crisis started with the finance disturbance and it highlighted the risks of development on the virtual financial system plan. The „exit of reality” proved to be risky.

During 2009, the global economy experienced the most severe period of recession in the past 50 years, with negative effects on economic performances and, implicitly, on the welfare of states.

The cyclic experiences of recessions have already demonstrated that one of the most macroeconomic risk of the crisis is the increasing of unemployment, especially long term unemployment. Seriousness of the economic crisis affects a large number of workers in the labour market, including many of those who had jobs secure. Moreover, absurdity of the crisis unemployment is very high, which means the unemployment is still high although the country economies are relaunched on an ascendancy trend. In the countries that do not have strong security systems, the unemployed workers are forced to enter in the informal economy in order to survive.

Regarding **the crisis effects on time use**, the most obvious of them is to reduce the working hours, with severe consequences on workers and their families. In our view, the economic crisis has a major negative impact on the working time. On the basis of data provided by two statistical surveys (Time Use Survey and Labour Force Survey), the paper will analyze the current situation of the working hours of Romanian population and will present a comparison between the total time spent at work in the period 2008-2009 and the hours spent at working places in a normal period of economic growth (2000).

### **1. THE ECONOMIC CRISIS AND WORKING TIME**

There are at least two mechanisms by which the working time decreases significantly during the periods of crisis: the first one, acting on a relatively short time since the crisis started, is arising from the fact that the main anti-crisis measures taken by the

governments in order to temporarily reduce working time and the second one, acting on a longer term, is a consequence of production decrease.

As I already mentioned in a previous chapter, in the economic literature this phenomenon is known as underemployment. The phenomenon occurs usually by *non using entirely the available labor force resources* and includes the unemployed persons and also employed persons, but are working less than the normal duration of the working time.

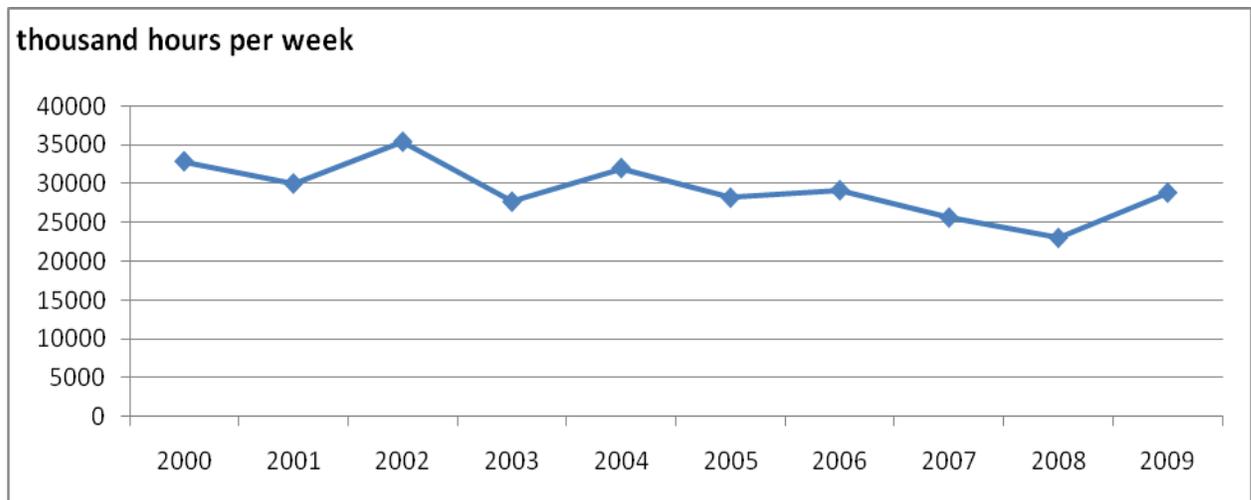
Hereunder is presented the evolution of underemployment in Romania, since the start of the crisis up to the present.

### 1.1. Increasing of the unemployment – a factor to reduce the working hours

How much time is lost because of unemployment? This is the key question, especially during the economic crisis. Considering the average duration of working week, it could be estimated the time lost in the labor market by each unemployed person.

The next section of the paper presents a comparison between the total time spent at work in the period 2008-2009 and the hours spent at the working places in a normal period of economic growth (2000). Another reason for the year 2000 is the reference year of Time Use Survey in Romania.

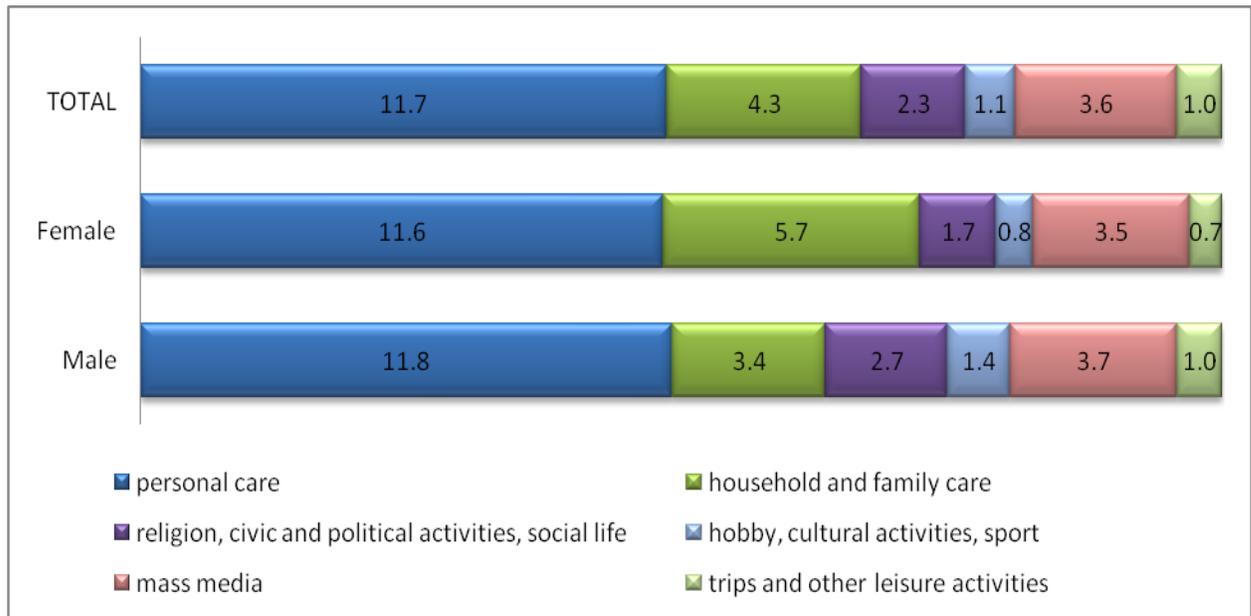
**Figure 1. Total hours of unemployed persons potentially spent in economic activities (in Romania)**



Source: [http://epp.eurostat.ec.europa.eu/portal/page/portal/employment\\_unemployment\\_ifs/data/database](http://epp.eurostat.ec.europa.eu/portal/page/portal/employment_unemployment_ifs/data/database)

If unemployed persons are not spending time in the labour market, what they do every day? Generally, they should re-allot daily time in other activities (figure 2).

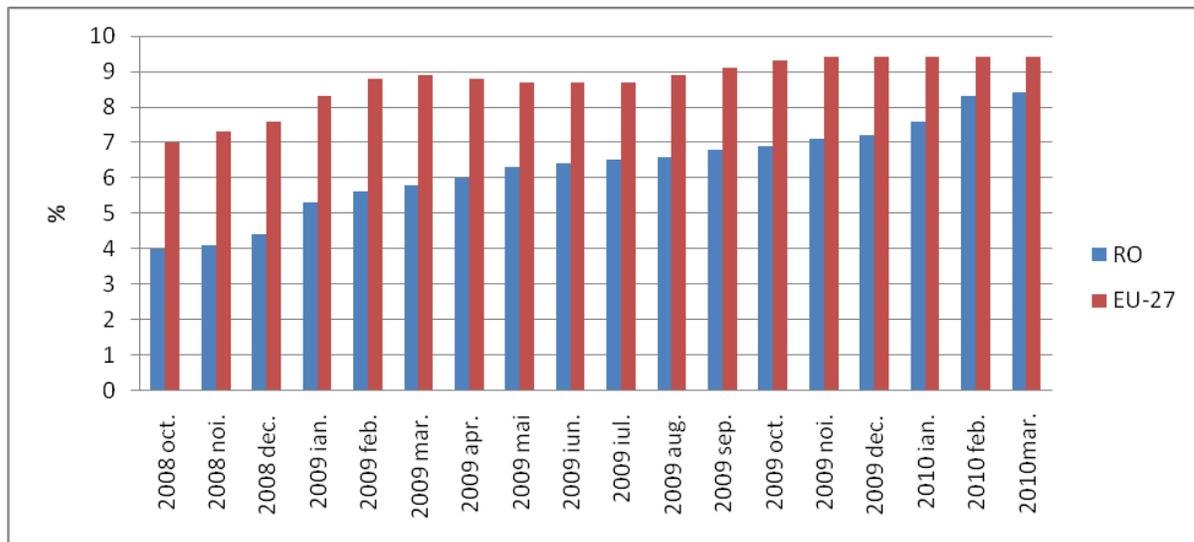
**Figure 2. The average of daily hours of unemployed persons in Romania – working and weekend days**



Source: Time Use Survey, National Institute of Statistics, 2000

The unemployment rate is among the main indicators monitoring the status and evolution of the economic crisis. After nearly a year since the starting of the financial crisis, unemployment in Romania is growing, as in all EU Member States. At the end of September 2009, the number of registered unemployed persons was 601,7 thousand persons, with 70% more than the number registered at the end of the same month in 2008. The same upward trend was for unemployment rate (6,6% in August 2009), although below than the European Union average (see Figure 3).

**Figure 3. Unemployment rate<sup>2</sup> during the period October 2008 – March 2010**



Source: EUROSTAT database (EUROIND) and the Romanian Monthly Statistical Bulletin (No. 9/2009)

During the period October 2008 - March 2010, the increase of the number of unemployed men exceeded the number of unemployed women (monthly average rate of increase was 5,3% for men and 4,% for women). It should be noted that this discrepancy increased significantly with the economic crisis, during the previous months the difference being relatively constant.

This evolution can be explained by the fact that most of the dismissed persons (71,8%) are among low-skilled workers and less among the persons having medium level education background (6,3 of total registered unemployed at the end of August 2009 had higher education background). Because at the national economic level 58,8% of all workers are men, this fact explains the faster increase in the unemployment rate among male persons. This statement is supported by the fact that, since the crisis started, the largest number of unemployed is recorded in construction, a sector dramatically affected by the crisis, where the share of men is over 90%. Over the next period we will watch how the unemployment rate will change, once the government shall restructure the budgetary sector, after the presidential elections at the end of 2009. However, regardless of political color of the new government, there are some urges to reduce the public

<sup>2</sup> The series is seasonally adjusted

expenditures, especially the personnel costs, arising from external financing needs of the state. The decrease of the expenditures on civil servants will lead to a more dramatic increase of the unemployment rate and also to a lower number of the personnel in the public sector.

Both effects will have a negative impact on the working time available at national level, both from quantitative aspect, as well as intensity of its use. For example, if we consider that employment in the public sector is in equilibrium, a 30% reduction of the personnel will mean a reduction – as well – of the amount of time available for work.

In Romania there are some voices (especially among employers) alleging that the public system, in particular the central government, is oversized in terms of the personnel. Even in these conditions, a personnel reduction with 30% will dramatically affect the equilibrium in the labor market in Romania. Will it be created a diffusion of the unemployed persons coming from the public sector within the private sector? How permissible this sector would be in conditions of crisis?

Another aspect leading to imbalance of working time is the one aiming the persons who will remain employed in the public sector. Since the objectives and timing will not suffer significant changes, the remaining employees will have to cope with the same deadlines. It is obvious that the working time within the public sector will gain new values, being most probably better capitalized.

Statistical indicators for unemployment are not enough to have a complete view of the reduction of the working time at national economy level. The statement can be supported by several reasons:

1. *Reducing the working time could be the consequence of reduction of working hours*, by implementing some anti-crisis measures, e.g.:
  - a. at macroeconomic level, the private business environment, the companies are deciding to limit working time by reducing the work week, renouncing to one work shift, introducing of flexible, personalized work schedules etc...
  - b. at macroeconomic level, in the public sector, governments are implementing measures to reduce working time through forced firing for a specific period of time. In Romania, the measure applied by the current government is to reduce the

working time during November and December 2009, by 7 working days without payment for all employees in the public system.

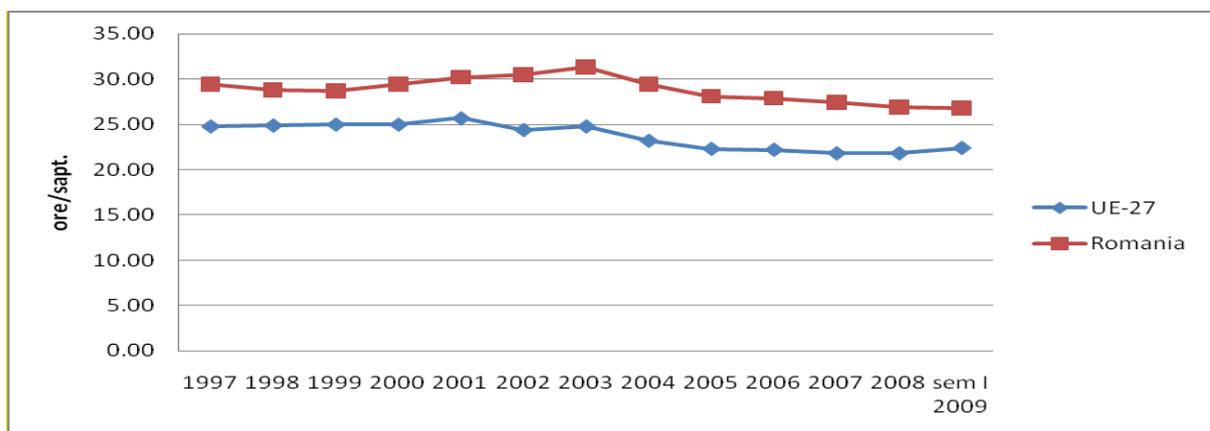
2. *the economic crisis creates new schemes of work* – employers in Romania, for example, have found a new trick trying to come through crisis by firing their employees, then call them back to work; this form of unemployment is known in the economic literature as *disguised unemployment*. The scheme is extremely simple and economical for employers: employees are receiving the unemployment benefit from the National Agency for Employment (ANOFM), the difference up to the initial wage being borne by the employer.

3. *the working time in economic activities on the labor market is replaced by other forms of work* – we cannot imagine that all unemployed are doing nothing in this matter. Although unemployment periods are seen as a waste of labor force, the work offer of the unemployed persons is distributed in at least two segments: the household and the informal labor market.

### 1.2. Increasing of the employment in part-time

Another way to reduce the working time, as the effect of the crisis, is to increase the employment in part-time programs. At the European Union level the share of part-time workers in the total population increased from 18,3% in the second quarter of 2008, to 18,8% in the same quarter in 2009. Part-time employment increased in almost all EU member states (22 out of 27 countries), Romania being one of the exceptions. In our country, employment rate and the part-time working program decreased since the starting of the crisis up to present (Figure 4).

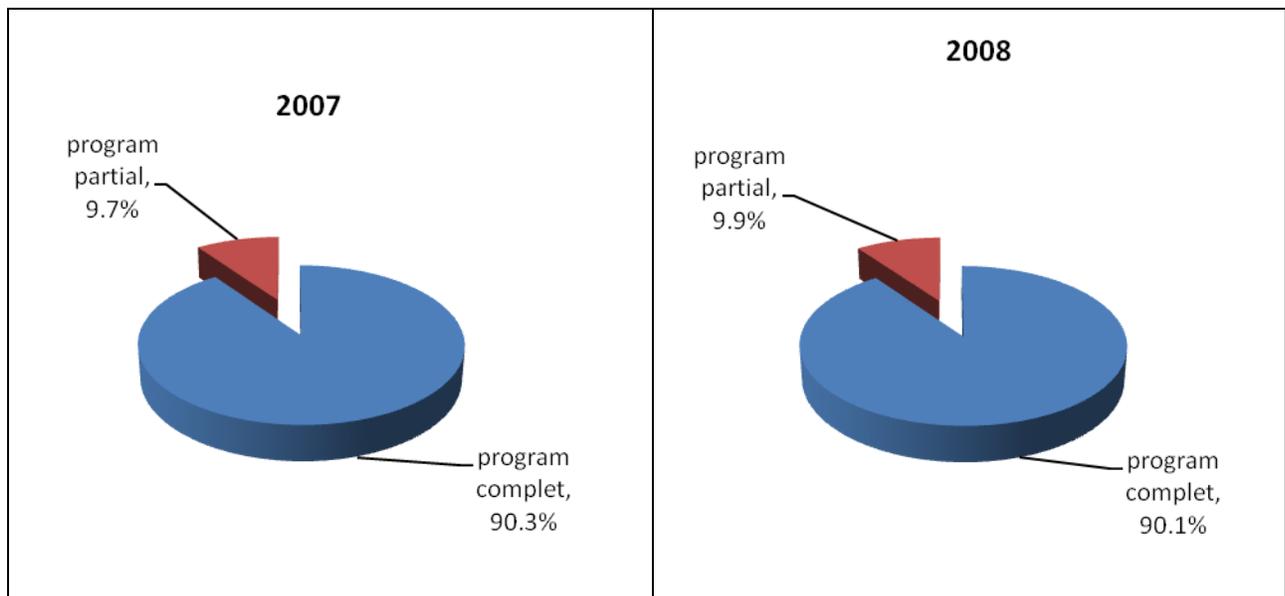
**Figure 4. Part-time working programme**



Source: EUROSTAT, Data Tree, 2009

The decrease of part-time employment, although not dramatically, is due mainly to the fact that part-time employees are exposed to the risk of unemployment more than the full-time employees. In Romania, part-time working is not functioning as a life jacket in case of unemployment, as perceived in most advanced economies.

**Figure 4. Structure of employed population, by type of working program**



Source: Labour Force Survey, National Institute of Statistics, 2008

## **2. IS THE CURRENT CRISIS DIFFERENT FROM OTHER CRISIS?**

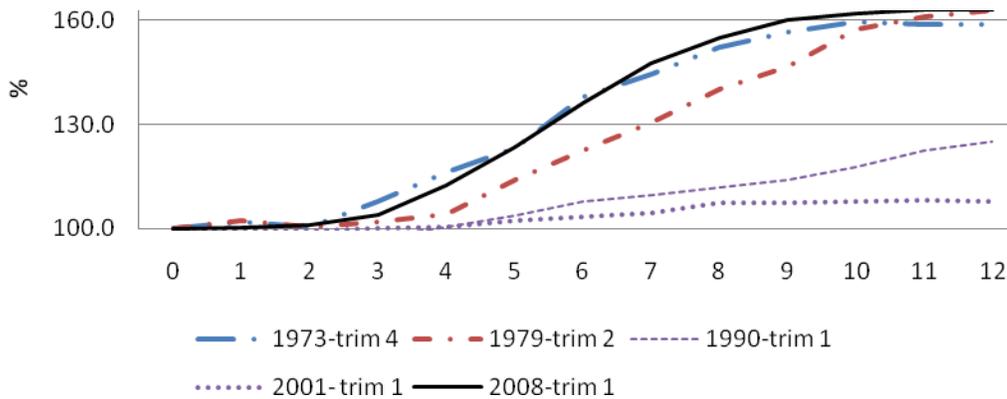
Over time, the world economy has been shaken by economic crises. The first crisis that has marked the world economy has been between 1815 and 1818, the second crisis was in the period 1846-1847, who has represented revolutions of 1848. The following, in 1859, a period of impetus of capitalist economy, but 1873 appeared strong another crisis, leading up to the outbreak first world war.

The most profound crisis that has met a capitalist economy has been between 1929 and 1933. It started in the US with the fall of the New York stock-exchange. It was only the signal to crisis, as now. The real crisis is, however, into the basic structures of the economy.

National experiences in the past crises show that in some cases, the answers short-term unemployment increases have led not only to withdrawals by individual on the labor market, but have had long-term negative effects on the society.

The figure 5 presents the evolution of the aggregate unemployment during the crisis in high developed economies of the EU: France, Germany, Italy and United Kingdom; the basis for the rate calculation was considered the unemployment rate of the previous quarter to the start of crisis. For example, in the current economic crisis, which started in the second quarter of 2008, the calculation basis was the first quarter of 2008.

**Figure 5. Trajectories of unemployment during the periods of economic recession**



the quarter above the start of crisis	1973:Q4	1979:Q2	1990:Q1	2001:Q1	2008:Q1
0	100.0	100.0	100.0	100.0	100.0
1	102.0	102.4	97.4	99.4	100.5
2	100.6	100.5	97.7	99.3	101.1
3	108.0	101.9	97.6	100.2	104.0
4	116.2	104.3	100.5	100.4	112.6
5	123.2	113.9	103.7	102.2	123.3
6	137.7	122.6	107.8	103.5	136.1
7	144.5	130.7	109.7	104.5	147.7
8	152.1	140.1	111.9	107.3	154.8
9	156.6	146.6	113.9	107.5	160.0
10	159.5	157.4	117.8	107.9	161.8
11	158.7	160.9	122.3	108.3	163.1
12	158.9	163.1	124.9	107.9	163.1

Source: calculations of OECD (OECD Economic Outlook Database, 2009)

Trajectories of the unemployment rate over the economic crisis periods show that, although the recession periods are characterized by the unemployment increase, the growth rates are different, depending on the severity of the crisis. In 1974 the advanced economies within the European Union passed through a severe recession period (oil crisis), with a similar severity with the current crisis.

## CONCLUSIONS

The economic crisis has a major negative impact on the employment. There are at least two mechanisms through which the working hours fall at the level of national economy: one of them has a short term impact on the labour market deriving from the government measures and policies against the recession. The second mechanism is a consequence of the decrease of production, phenomenon with a real long term impact at the level of employment.

At individual level the economic crisis should not be considered as wasted time. It may be a time of innovation and creativity, the engine that forces us to imagine new models, a new future, a new world. Creative ideas and innovative solutions are proving to be crucial for getting out of the crisis shadow. And there is no other way to get out of this crisis than critical effort, our ability to dismantle things then rebuild them simpler, better and less expensive.

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