THE IMPACT OF THE FINANCIAL AND ECONOMIC CRISIS ON THE EVOLUTION AND STRUCTURE OF UNEMPLOYMENT IN ROMANIA

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Abstract

Unemployment represents one of the economic and social phenomena highly sensitive to changes in the dynamics and structure of the national economy. The impact of the financial crisis, triggered at the end of 2008, had dramatic consequences also on the Romanian economy, which was still fragile and quickly responded as a restriction, a retreat, both preventively and curatively. Negative evolutions occurred in the immediate future in all areas, both economic and social, for many economic operators unemployment representing one of the alternatives to "mitigate" the effects of the crisis.

In this context, the paper approaches a series of theoretical aspects related to determining the unemployment indicators and presents the evolution of the main field indicators, in Romania, after 2008, to highlight the negative influence of the global financial and economical crisis.

Thus, the analysis of unemployment in Romania after 2008, the year that marked the beginning of the financial crisis, showed a rapid and significant increase of it, at least in 2009, illustrating this thorough the immediate reaction the significant impact of the crisis on the Romanian economy.

Although the years 2010 and 2012 showed a slight easing of the situation, the beginning of 2013, as a consequence of the deepening financial problems and of a particularly tense global climate, marked a new period of rising unemployment.

Recourse to unemployment, as a result and in response to the financial crisis is a measure which, although apparently has a preventive character of bankruptcy, it will surely not give positive results in the future. It is just a postponement of it, which will ultimately lead to the drastic compression of the activity, to the collapse.

Key words: unemployment, registered unemployed, ILO unemployed, economic and financial crisis.

Clasificare JEL : J01, J21

Introduction

The impact of the financial crisis, triggered at the end of 2008, had dramatic consequences also on the Romanian economy, which was still fragile and quickly responded as a restriction, a retreat, both preventively and curatively. Negative evolutions occurred in the immediate future in all areas, both economic and social.

Unemployment represents one of the economic and social phenomena highly sensitive to changes in the dynamics and structure of the national economy. At the start point of the crisis, and immediately afterwards, for many economic operators unemployment represented one of the first measures taken to avoid bankruptcy, to protect employees for a short period, representing but a false alternative of the moment, to mitigate the effects of the crisis, with negative effect on medium and long term.

Level, evolution and structure of unemployment characterize the evolution of the economy in real terms. Basically, along with inflation, unemployment can be considered a barometer of the socio-economic condition of a country

Due to the importance of knowing the level of unemployment, both at macroeconomic and territorial levels, in time there have been constant concerns relating to its definition in terms of dimension and structure, for the continuous update of the legislation, for harmonizing the content, methodology and rules with the European and international ones.

In practice, the record, quantification and analysis of unemployment are approached both in terms of registered unemployment and that determined according to the methodology of the International Labour Office (ILO), thus creating a clearer, complex, real image of labour force and labour market in general. Therefore, the paper presents both the theoretical perspective of the registered unemployment and ILO and the analysis of changes in the dynamics and structure analysis of these indicators.

2. Theoretical aspects regarding the determination of unemployment indicators

In order to characterize the phenomena of the labour market in Romania, there are used two sets of statistical data created by the National Institute of Statistics from Bucharest, based on statistical research specific to this domain [1].

- data from the Labour Force Balance (LFB);
- data from the Household Labour Force Survey (HLFS)

The Labour Force Balance allows the construction of some indicators, comparable in time, at national and territorial levels (development regions, districts) while the household survey HLFS ensures comparability in time, nationally and territorially (development regions) and internationally (with other countries)

The concepts and definitions of the Romanian labour system were adapted to the conventions and international standards, taking into account the specific of the national legislation.

The main statistical indicators that are built based on the two data sets are:

- the economically active population with two components:
  - the employed population;
  - the unemployed.
- the non-economically active population.

The statistical indicators of the two series are not comparable because the methods of data collection, reference periods and scope are different. However, the analysis of data from both series provides a complete and true image on the Romanian labour market.

Since the approached theme in this paper deals with the phenomenon of unemployment in Romania, we will refer only to the indicators that characterize it.

Thus, based on data from the LFB, it is annually determined (data by the end of the year), the civil economically active population consisted of employed population and the registered unemployed.

The registered unemployed are persons who meet the conditions provided by Law No.76/2002 on the unemployment insurance system and employment stimulation. Under the legislation, a person has to fulfil the following conditions in order to gain the status of unemployed:

- is looking for a job since the age of 16 and until the conditions for retirement;
- health and physical and mental abilities render it suitable for work;
- does not have a job, income or achieves incomes lower than the reference social indicator defined in the law No.76/2002;
- is available to start work in the next period if it could find a job.
- is registered to an employment agency in whose jurisdiction it resides or other employment services provider, operating in accordance with the law

Assimilated unemployed are the following:

- graduates of education institutes and graduates of special schools for persons with disabilities aged 16, who, in a period of 60 days from graduation, failed to be employed according to their training;
- persons who before military service were not employed and in a period of 30 days from the date of their demobilisation could not be employed

The data from the HLFS investigation are used to determine (with quarterly and annual periodicity) the total economically active population consisted of total employed population and the ILO unemployed (unemployed defined as recommended by the International Labour Office).

The ILO unemployed, according to the criteria of the International Labour Organization (ILO) are persons aged 15-74 who during the reference period satisfy the following conditions:

- do not have a job and are not engaged in activities for-profit.
- are looking for a job by using different active methods in the last four weeks in order to find one (registering to an employment agency or to private work placement agencies, actins to start a business on their own, publishing ads, call to friends, relatives, colleagues, unions etc.)
- are available to start work in the next two weeks if they could find a job.

Based on the two sources mentioned, the Labour Force Balance and the household survey HLFS, along with the absolute indicators characterizing the number of unemployed, there are some relative indicators related to their structure by various and specific features of which we will mention the most important [1]:

The unemployment rate (Ur) expresses the number of unemployed related to the economically active population.

The calculation is:

$$Ur = \frac{U}{AP} \times 100 \qquad (1)$$

where:

U = total number of unemployed in the reference period (registered or according to ILO methodology, based on the data source);

AP = economically active population (total or civil according to the data source)

The long-term unemployment rate (Ur> 12) is determined as the ratio between the number of unemployed for over 12 months and the economically active population.
The calculation is:

$$Ur_{\S>12} = \frac{U_{>12}}{AP} \times 100 \qquad\qquad (2)$$

where: U>12 = the number of unemployed whose unemployment has exceeded 12 months;

In order for the unemployment picture to be complete, meaningful and relevant, it is necessary that both absolute and relative indicators to be determined not only nationally but also territorially (regions, districts and even cities) and the analysis should be achieved comparatively, highlighting differences, discrepancies, specific aspects.

A comparative analysis of the phenomenon of unemployment in Europe and in other countries is also interesting and useful.

3. The evolution of unemployment in Romania, after 2008

After 2008, the dynamics of unemployment in Romania (in terms of annual averages of the ILO unemployed) was one aggressively ascendant, in the first part of the period, after which growth is abating, even recording a slight decrease in 2012 (fig. 1).

Thus in 2012 (estimated data based on monthly information from the Monthly Statistical Bulletin no.12/2012, INS Bucharest), compared with 2008, the average number of unemployed reached 702,000 persons, 22% higher, and the unemployment rate rose from 5.8% to 7.0%.
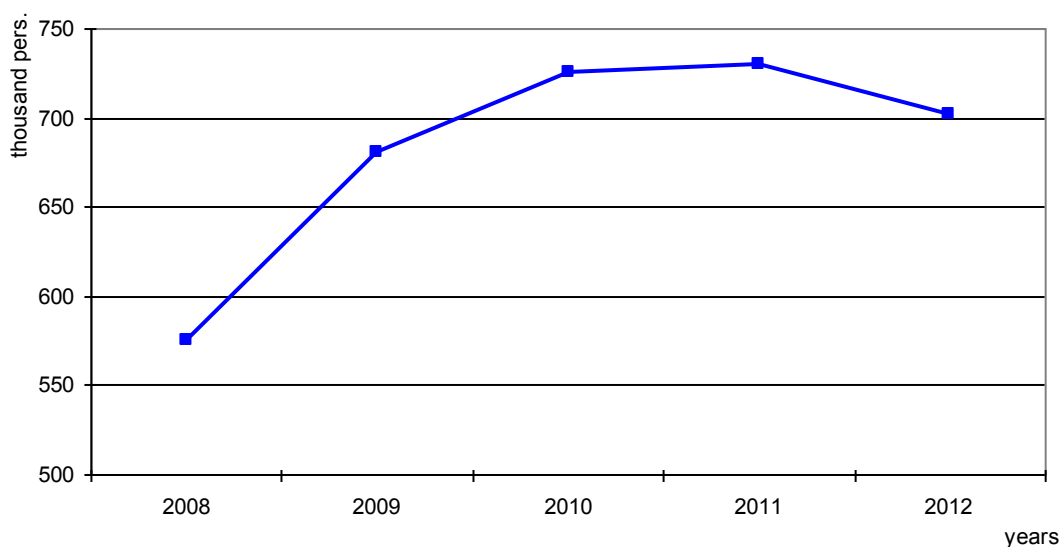
Data source: *Romanian Statistical Yearbook, edition 2012* and *Monthly Statistical Bulletin no. 12/2012,* NIS Bucharest.
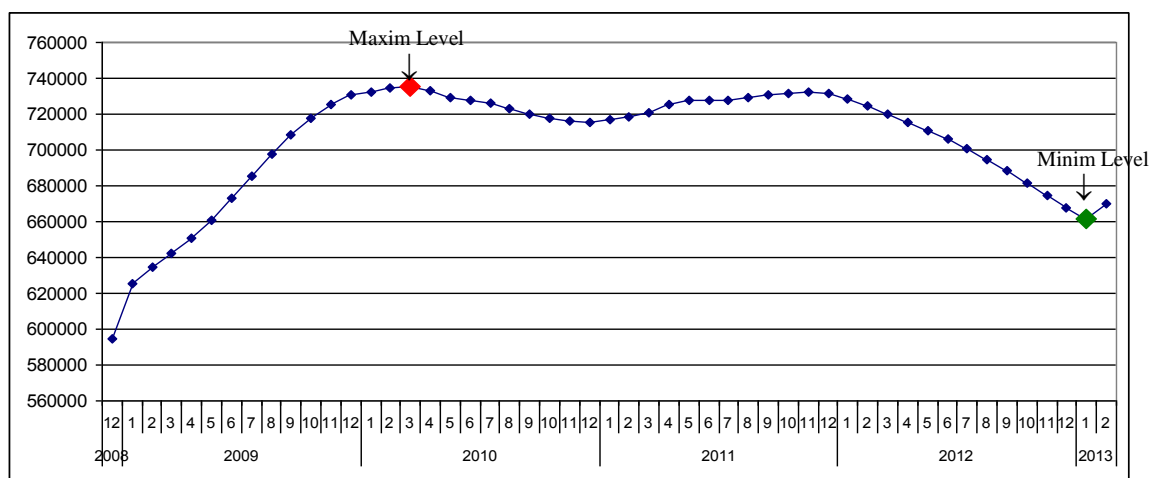
Figure 1

The dynamic of the ILO unemployed in Romania, during 2008 - 2012

A more detailed analysis on months of the evolution of the number of ILO unemployed reveals a slightly different path from that of the annual average values, which highlights a true and more accurate evolution of unemployment (fig. 2).

A fluctuating trend, with periods of growth and periods of decline in the number of unemployed, results from the chart below.

The first period, between January 2008 and March 2010, is one of accelerated growth; at the end of it the maximum level of the entire period is recorded. Then follows a period of relaxation, slight decrease in unemployment between April 2010 and December of the same year, after which by November 2011 there is growth registered again, but in a very low rate.
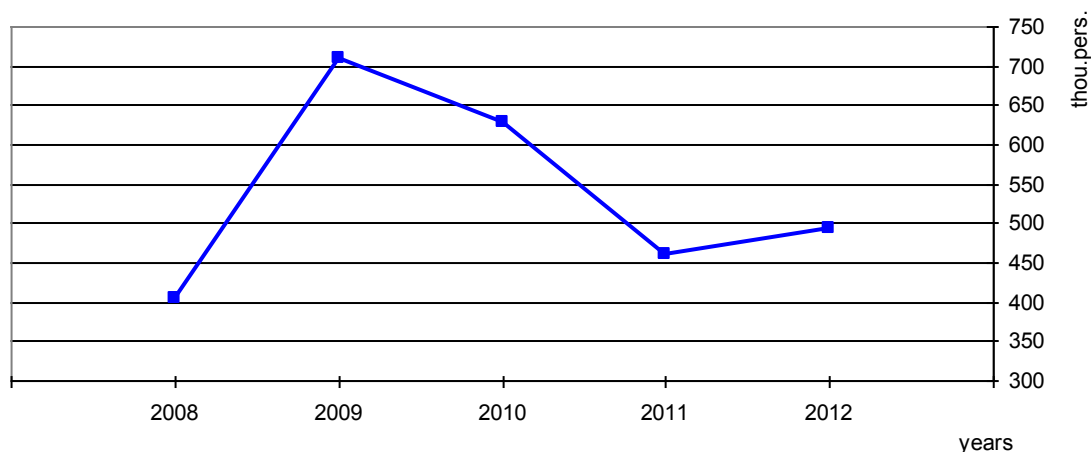
Data source: *Monthly Statistical Bulletin no. 12 for years 2009-2012* and *Tempo on-line application* (trend series, adjusted both for the effect of seasonally variations and accidental), NIS Bucharest.

Figure 2

The evolution of monthly average number of ILO unemployed in Romania, during December 2008 - February 2013

December 2011 and the whole 2012 represent favourable periods, in which unemployment significantly decreases. February 2013 marks a new rapidly growing of unemployment even though in January it was recorded the minimum of the entire period. This is mainly due to deepening economic, financial problems, but also to a tense climate worldwide.

In terms of unemployment, the situation is different, obviously due to the content and different significance of indicators (fig. 3).

Data source: *Romanian Statistical Yearbook, edition 2012* and *Monthly Statistical Bulletin no. 12/2012,* NIS Bucharest.

Figure 3

The dynamic of registered unemployed, in Romania, during 2008 - 2012(at the end of the year)

Thus, at the end of 2012, the number of unemployed registered at the National Agency for Employment was 494 thousand people, increasing compared to the end of 2008 by 22% and the unemployment rate has increased from 4,4% to 5,6%.

Also, analyzing the evolution of the number of registered unemployed in the shown period, we find that unlike the number of ILO unemployed persons, except for 2009, where both graphs revealed the same accelerated trend of growth, the following three years are exactly the opposite. Years 2010 and 2011 (dates at 31st December) mark a decrease of the registered unemployed and the end of 2012 marks an increase.

The data can be correctly interpreted, presenting moreover in this case a similarity by comparing the number of registered unemployed with that of ILO unemployed in the months of December of the analyzed years.

To summarize, the evolution of unemployment in Romania after 2008, according to the two sources of information was as follows:
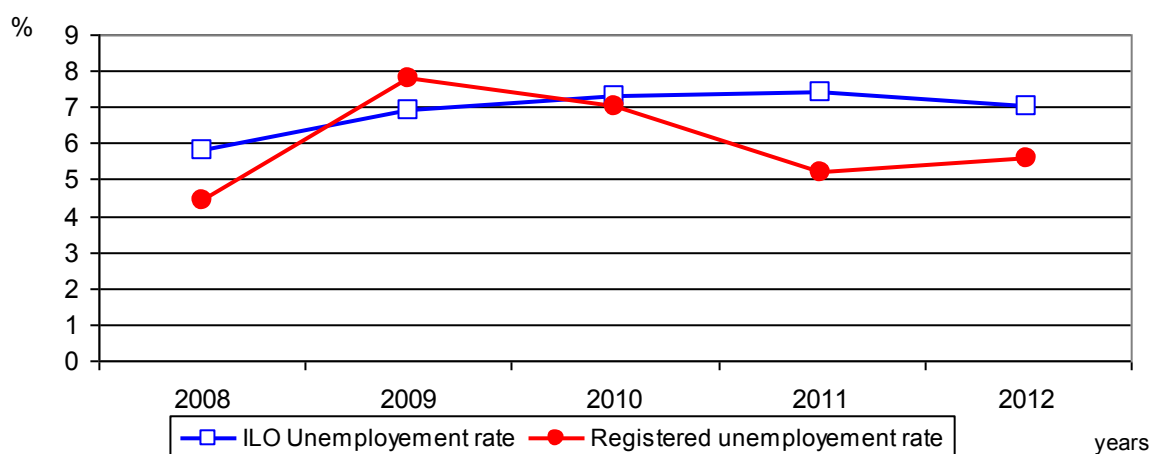
Table 1 **The evolution of unemployment, in Romania, during 2008 - 2012**

	2008	**2009**	**2010**	**2011**	**2012**
Data from the Labour Force Balance (at the end of the year)					
Registered unemployed (thou persons)	403	709	627	461	494
Registered unemployement rate (%)	4,4	7,8	7,0	5,2	5,6
Data from Household survey HLFS (average yearly data)					
ILO unemployed (thou persons)	575	681	725	730	702
ILO unemployement rate (%)	5,8	6,9	7,3	7,4	7,0

Data source: *Romanian Statistical Yearbook, edition 2012* and *Monthly Statistical Bulletin no. 12/2012,* NIS Bucharest.

Although we stated earlier that the two series are not comparable due to major methodological differences, they provide a conclusive picture of the evolution of unemployment in Romania.

Pushing a little the note and representing the same graph for comparison, unemployment rates were calculated based on two sources of information, we find that in terms of relative indicators compared to the absolute ones, previously presented, although the trend is maintained, the differences are much mitigated, in 2010, the two rates are almost identical.

Data source: *Romanian Statistical Yearbook, edition 2012* and *Monthly Statistical Bulletin no. 12/2012,* NIS Bucharest.

Figure 4

Comparative evolution of the registered unemployment rate and ILO unemployment rate, in Romania, during 2008 - 2012

4. Regional disparities of unemployment in Romania, after 2008

As stated above, in order to provide a more complete and complex image of the reality, the analysis of unemployment should be extended territorially.

The information that this analysis provides, compared to the national one, is surprising and very different from one region to another. The impact of the financial crisis, through the dynamics of regional unemployment is different both in respect of evolution and intensity (Table 2).

Table 2 **The evolution of ILO unemployment, in Romania, by development regions, during 2008 - 2012 (%)**

	2008	**2009**	**2010**	**2011**
Total ţară	**5,8**	**6,9**	**7,3**	**7,4**
Nord - Vest	3,8	5,6	6,8	5,2
Centru	8,5	10,7	10,5	11,1
Nord - Est	4,5	6,0	5,8	4,8
Sud - Est	7,2	7,5	8,8	10,1
Sud - Muntenia	6,8	8,0	8,3	10,4
Bucureşti - Ilfov	3,4	4,0	4,6	5,4

Sud – Vest Oltenia	6,5	6,8	7,5	6,9
Vest	5,7	6,0	6,0	5,7

Data source: *Romanian Statistical Yearbook, edition 2012,* NIS Bucharest.

From the data presented it appears that there are major differences both between national unemployment rate and the development regions and also between regions.

The biggest ILO unemployment rate throughout the period analyzed was found in the Centre region, having a level more than double than the lowest rate registered during the period 2008 - 2010 in Bucharest - Ilfov region and in 2011 in the North – East region.

In terms of the evolution of ILO unemployment by region, there are major differences in this situation too (fig. 5).
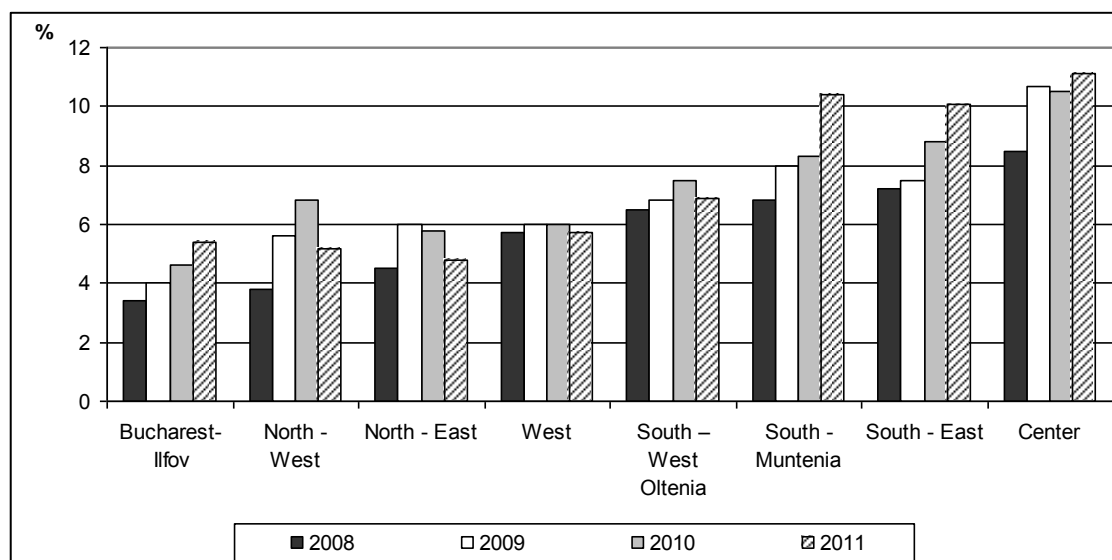
Data source: *Romanian Statistical Yearbook, edition 2012,* NIS Bucharest.

Figure 5

Comparative evolution of ILO unemployment rate, in Romania, by development regions, during 2008 - 2012 (%)

The previous graph clearly shows substantial differences between the maximum and minimum unemployment rate by region but it also presents their different evolution from region to region, from year to year.

Regions least affected by the economic crisis in terms of unemployment are Western Region and South West Oltenia Region, which in the analyzed period had a moderate evolution, nearly linear (Western region).

The most rapid and significant reactions after financial and economic crisis, manifested by a significant increase of unemployment in 2009, compared to 2008, were recorded for the Central Region and the North-West.

Also, in 2012 there was a decrease in the unemployment rate in four of the eight regions (North West, North East, West and South West Oltenia) while in the other four (Bucharest-Ilfov, South-Muntenia, South East and Centre) it increased significantly. For three of those regions, growth was continuous and sustained (Bucharest-Ilfov, South-Muntenia and South-East)

5. Conclusions

The analysis of unemployment in Romania after 2008, the year that marked the beginning of the financial crisis, showed a rapid and significant increase of it, at least in 2009, illustrating this thorough the immediate reaction the significant impact of the crisis on the Romanian economy.

Although different in evolution, indicators of registered unemployment and ILO unemployment reveal that throughout the analyzed period, however, the unemployment rate was higher than in 2008.

Even the years 2010 and 2012 showed a slight easing of the situation, the beginning of 2013, as a consequence of the deepening financial problems and of a particularly tense global climate, marked a new period of rising unemployment.

From the point of view of the evolution of the unemployment by development regions, the paper emphasized that the impact of financial crisis is different both in direction of the evolution and in intensity from region to region. Through the evolution of unemployment, the Western Region was the least affected by the crisis while The South-Muntenia and South – East Regions, where the most affected by the crisis.

Recourse to unemployment, as a result and in response to the financial crisis is a measure which, although apparently has a preventive character of bankruptcy, it will surely not give positive results in the future. It is just a postponement of it, which will ultimately lead to the drastic compression of the activity, at the collapse.

Although the paper mainly deals with the dynamics of unemployment and less with the structural issues, we believe that the analysis conducted created a quite relevant picture of this phenomenon.

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