

EMPLOYMENT AND UNEMPLOYMENT AT REGIONAL LEVEL

Monica BOLDEA *
Maria OTIL **

This paper analyzes the effect of the restructuring process on the employment dynamics of urban and rural residents in the Romanian labor market, a study that focuses on every region of development in Romania. We study the structure of the population, the effects of the economic restructuring, the demographic trends that can have long-term effects, analyzing at the same time the ability of individuals to adjust to labor market transformations. To be noticed would be that long-term unemployment in Romania has grown in both absolute and relative terms in the last few years, leading to increased expenditures, both absolutely and in relation to unemployment benefits, for the support allowance and social assistance programs and for pensions to labor force drop-outs. We also focus on the fact that Romania's integration into the European Union is the major global determinant that creates the new frameworks for evolution in our society; and at this stage, compliance with the European standards in various domains raises some difficulties regarding implementation. Several fields (among which agriculture) face major problems during the post-accession period, the shortage of manpower being severely felt.

Key words:

regional development, competitiveness, human resource, unemployment.

JEL Classification: R11, R12.

1. Introduction

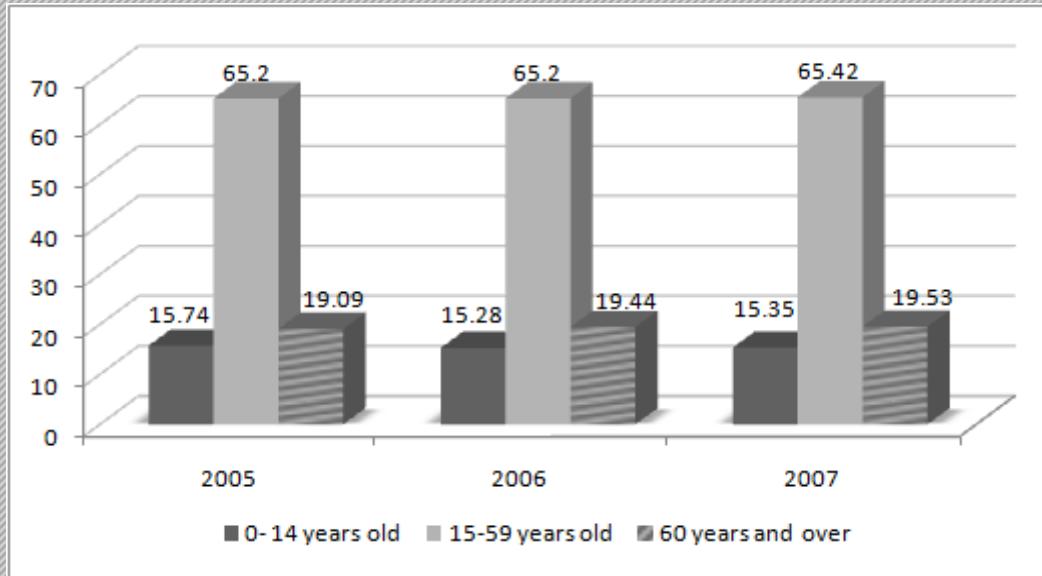
Given the current crisis, the major problem – both for Romania and for the entire European Union – is that of employment, due to the lack of adequately skilled workforce. Accordingly, even if not at the same level, labor resources decreased, and, respectively, the working age population (15-64 years).

In our empirical analysis we use data on Romania covering the time period 2000-2007 and we underline the fact that employment and human capital management

policies go beyond the framework of the labor market itself, because any strategy of employment is practically a component of the overall strategy of growth and development. And here exactly does the regional development take up its role, aiming at stimulating and diversifying the economic activity, stimulating private sector investment, helping to reduce unemployment and ultimately leading to the improvement of the living standards.

* lecturer, PhD, West University of Timișoara, Romania

** teaching assistant, PhD, West University of Timișoara, Romania



Source: graph accomplished based on the data taken from The Statistical Annuary of Romania 2008

Figure 1. The structure of the population according to age, in Romania, the period of 2005-2007

2. An Analysis of the Romanian Labor Market

The structure of the population, according to age, bears the specific imprint of a process of demographic aging, marked mainly by the decline in birth rate, which caused an absolute and relative reduction of the young population (0 -14 years), and by the increased share of the elderly population (60 years and over) .

In 2007, compared to 2005, we can notice the decline of the share of the young population from 15.74% to 15.35% and the increase of the share of elderly population from

18.89% to 19.53%. According to the estimations of the National Commission for Prognosis by 2013 the same structure of the population according to age will continue in the future, being characterized by the continuation of the aging process of the population, due to the decline of the young population under 15 years and to the increase of the elderly population.

The distribution of the population on age groups is relatively similar in every of the eight regions of development (see Table 1).

Table 1
Structure of the population according to age groups and to regions of development

Region	Total	Age groups					
		0 - 14 years		15 -59 years		60 years and over	
		2000	2006	2000	2006	2000	2006
National total	100,00	18,3	15,45	62,92	65,26	18,81	19,29
North-East	100,00	21,0	18,14	60,87	63,47	18,11	18,39
South-East	100,00	18,5	15,23	63,37	65,77	18,15	19,00
South Muntenia	100,00	18,0	15,17	61,04	63,46	20,93	21,37
South-West Oltenia	100,00	18,2	15,24	61,36	63,82	20,88	20,94
West	100,00	17,5	14,68	64,08	66,33	18,44	18,98
North-West	100,00	18,8	15,90	63,58	65,62	17,64	18,48
Centrer	100,00	18,2	15,59	64,41	66,09	17,37	18,32
Bucharest-Ilfov	100,00	13,9	11,79	67,22	69,41	18,87	18,80

Source: graph accomplished based on the data taken from The Statistical Annuary of Romania 2008 (date of consultation 17.09.2008)

According to *Table 1* we can notice the fact that the segment of the population aged up to 14 years old declined simultaneously with the expansion of the segment of over 60 years old. The aging process of the population will exert a negative influence on the overall economy, as the share of inactive population will unbalance, in the sense of burdening, the social security system, and thus will lead to the excessive increase of taxes in the absence of reform measures in accordance with the problem. The regions South and South - West are facing a phenomenon of increased aging of the population, accounting for the largest share of the segment over the age of 60 years old (21.37% and 20.94% in 2006), an intensification of this trend being also expected. The highest share of the young population segment has been recorded in the region North - East (18.14% in 2006, declining slightly from the rate of 21.0% in 2000) and the lowest share has been recorded in Region West (14.68% in 2006 versus 17.5% in 2000), however above the share of 11.79% of the region Bucharest - Ilfov.

In the long run, these demographic trends will affect the education system, leading to the decline in the number of pupils and students, as well as towards expanding the demand for health services and social protection. The aging process of the population in rural areas of Romania will increase the economic disparities in terms of regional development, meaning that people of the working age will prefer to migrate internally to important urban areas.

In this context of limited labor resources, it would have been possible to improve their employment rates. The advantages of the process of economic growth registered in 2008 reflected in the increasing share of the population employed in the private sector could have alleviated, largely, the pressures put on employment generated by the processes of privatization and restructuring, but also on the entrepreneurs' concern to increase labor produc-

tivity as a main prerequisite for improving competitiveness. In addition, they amplified the changes in the work-related structure, which have already been visible lately, namely the decrease of the population working in agriculture and the increase of the population working in construction and services.

These processes have the effect of:

- Reducing non-wage population in agriculture, especially the elderly one (over 64), including the exit from the labor market;
- Increasing the population employed, mainly personnel in services and especially in constructions.

The structure of the population regarding the main activities of the national economy is presented in the table below (*Table 2*).

It is noted that during 2000 - 2007, employment in agriculture registered a decreasing trend in all regions of the country, while registering an increase in the share of the population employed in the services' sector. The largest decrease of the population working in agriculture is registered in region West, a decrease of 20.28%. In this region there is an increasing percentage of the population employed in services and in industry. In region West, at the level of year 2007, employment accounted for over 40% of the total population in the region, with the most important share in the tertiary sector (39.29%). Employment in industry declined significantly after 1990, especially in highly industrialized counties (Hunedoara and Caras-Severin), particularly following the massive redundancies of personnel in mining and siderurgy. Given this background of restructuring and redundancy of the population employed in the industry, the population was predominantly oriented towards the services' sector.

The region of development Bucharest-Ilfov has a structure of employment - in main economic sectors - similar to that of EU Member States, in terms of a low share of em-

Table 2
The structure of the population on main activities of the national economy

Institutional sectors	Agriculture			Industry and constructions			Services		
	2000	2007	2007/2000	2000	2007	2007/2000	2000	2007	2007/2000
Regions of development									
Romania	43,90	29,48	- 14,42	25,70	31,41	5,71	30,4	39,11	8,71
North-East	57,60	48,64	-8,96	19,70	21,87	2,17	22,7	29,49	6,79
South-East	46,80	30,48	-16,32	21,00	30,73	9,73	32,2	38,79	6,59
South-Muntenia	49,20	33,38	-15,82	25,20	32,63	7,43	25,6	33,99	8,39
South-West Oltenia	59,00	43,97	-15,03	20,20	25,77	5,57	20,8	30,26	9,46
West	38,60	18,32	-20,28	27,10	42,39	15,29	34,3	39,29	4,99
North-West	42,00	27,11	-14,89	26,90	34,25	7,35	31,1	38,64	7,54
Center	31,20	16,10	-15,10	37,60	43,04	5,44	31,2	40,86	9,66
Bucharest-Ilfov	5,80	1,18	-4,62	35,00	28,29	-6,71	59,2	70,53	11,33

Source: *The Statistical Annuary of Romania 2007 and 2008*

employment in agriculture and in of decreasing trend (representing 1.18% population employed in agriculture in 2007), and registering a higher share in the services' sector. However, we should keep in mind that regarding the constitution of the region we are dealing with two completely different entities: the city of Bucharest and the county Ilfov, which gives the region a very heterogeneous structure in terms of employment in the main sectors of activity. According to the information included in the Regional Development Plan 2007-2013, the Municipality of Bucharest is an urban area (the population employed in agriculture of about 1% and 65% in the services' sector), while the Ilfov county has characteristics of a predominantly rural district (with population employed in agriculture at a rate of 37% and 30% in the services' sector). At the level of the Ilfov county the distribution of the employed population according to sectors is somewhat similar with the one at national level, in that employment in agriculture accounts for over one third of the total employment. In Ilfov county and the Municipality of Bucharest the share of the agricultural population decreased and employment increased dramatically in the sectors of trade and services.

Characteristic of the work-force employed in the region of South-Muntenia is that a substantial proportion of the population is employed in agriculture (49.2% in 2000, respectively 33.38% in 2007), the difference being divided almost equally between the sectors of industry and construction (25.2% in 2000, 32.63% in 2007) and services (25.6%, respectively 33.99%).

Over the period 2000 - 2007, employment in the North-West region has entered a downward trend. The decline of the heavy industry sectors of the region, where most employees were among the men and staff cuts in the light industry and textiles led to the diminishing number of jobs for both women and men. On the other hand, the continuous development in construction and services in the region led to the creation of new jobs for both genders. Since 2000, employment according to sectors of activity has had an upward trend in all sectors except agriculture, due to attracting a large number of investors and to private economic sector development (especially the case of SMEs in the region).

Employment in industrial activities in the South East region is situated in a secondary position. The services sector holds the leading position (38.79% in 2007), while the industrial activity together with the one of constructions hold 30.73% of the total employment in the analyzed economic territory. Supported should be further development effort of the services sector, this being able to generate new jobs in the context of sustainable development, even if there will be an increase in the share of the population employed in the services' sector and a sharp decline of the population involved in agricultural activities.

Due to its direct implications regarding maintaining social tensions at a reasonable level, but also for the long-term maintenance of a high standard of living, unemployment and social protection policies are key elements of the macroeconomic policies undertaken within the market economies. A high level of unemployment creates social tensions that are difficult to counter, causing a decrease of the economic competitiveness. Also, an increase in the amounts allocated by the state for the social protection of the unemployed leads to a perpetuation of long-term unemployment and a decline of investments in the economy.

After 1990, unemployment rose sharply in all regions of the country, but the highest rates of unemployment were experienced by regions with weak economies, industrialized in the 60's and 70's: North-East, South-East, and the smaller regions, Bucharest - Ilfov and West Romania. In 2000, the highest unemployment rate were held by the regions North-East and South-East, but besides these cases, unemployment rose almost to the same level in the regions of South-West Oltenia, West Romania and Center, due to the restructuring in mining and of the large and heavy industries, affecting large enterprises in these regions.

The dynamics of the unemployment share on regions can be seen in what follows (*Figure 2*).

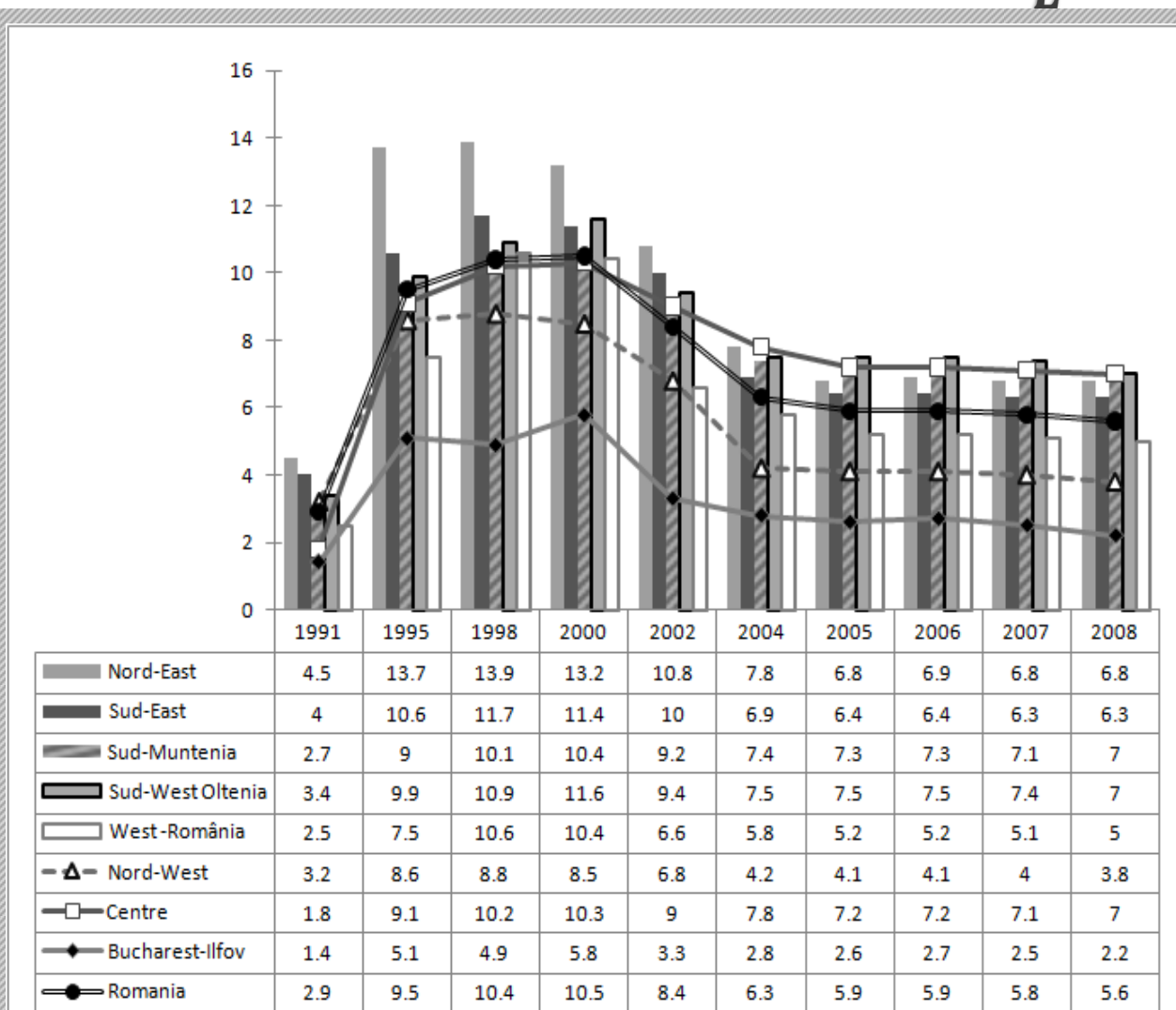
From the table it can be noticed that after 1990 unemployment has registered an upward trend in all regions of the country, the growth being due to the restructuring in mining and in the major branches of the heavy industry, affecting the large enterprises in these regions.

The decrease in unemployment after 2000 can be explained by the extent of retirement, of leaving for work abroad, of the work in the underground economy, but also by the fact that most long-term unemployed are no longer registered with the labor office.

The highest level of unemployment, at the level of 2008, was recorded in the regions of South-Muntenia, South, South-West Oltenia and Center, with unemployment rates above the national average (7%), the lowest unemployment rate being recorded in the region of Bucharest (2.2%).

It should be pointed out that *the region of Bucharest-Ilfov is the region with the lowest unemployment rate compared to any other region in Romania*. The unemployment rate calculated during the research period 1991 - 2008 is much lower than the national level.

A direct consequence of the process of industrial restructuring and of the rising unemployment in the North-West region is the emergence of a unique phenomenon in Europe, consisting of inward migration from urban to rural areas, thus increasing the share of the rural population in all counties in the region. Another effect of the economic restructuring and of job reductions is the process of emi-



Source: graph accomplished based on the data selected from ***, Regional Statistics, The National Institute of Statistics, www.insse.ro

Figure 2. The dynamics of the unemployment share on regions

gration of the population - especially the young. Many towns in rural areas (especially Maramures, Satu-Mare, Brasov), have, virtually, no youth, but thrive on construction financed by external money.

In the case of the region Bucharest-Ilfov, the gradual industrial decline after 1990 resulted in the loss of many jobs, and the rapid closing of many inefficient enterprises will emphasize the reducing of employment in the industry and its migrating toward the tertiary sector - services. Trade, storage activities, distribution, communal household-administration, constructions had a rapid growth, so that the region, despite the inauspicious geographical position, distances itself from the level of development of other regions and their major cities.

Unemployment in the region of Bucharest-Ilfov is small due to the rapid growth of the financial-banking services and to the development of the telecommunications' sector, which have created jobs, especially for highly skilled people, whose share is higher in this region.

Uneven developments registered by the economy of the counties and by large geo-economic areas of the country were reflected in the territorial behavior of unemployment. Its unequal distribution in the national territory makes the vacancy factor one of the most socially tense issues. Tensions are generated, first, by the number and high share of unemployment, and secondly, by the material efforts needed to ensure the social security of the unemployed. In terms of distribution on the two areas (rural and urban) regarding the employed population, notable differences

are to be seen among the country's regions of development: the regions of South-Muntenia and Bucharest-Ilfov have a preponderance of the population employed in urban areas, and the regions of South-West, West and North-West show little difference between employment in urban areas and employment in rural areas.

This high rate of activity in rural areas is the result of the presence of agriculture as the predominant economic branch, having a low degree of technological input. Even though, related to the economic activities in rural areas, the workforce is sufficient in terms of quantity, it is not properly skilled. This is due, first, to the deficiency of the training and educational system, and also to the fact that many of the rural population do not attend such classes.

According to The National Agency for Employment, unemployment rose currently in all regions of the country. The most important of the causes that led to a growing unemployment rate is the current financial crisis. Another issue closely related to the first one is the return of Romanians working abroad. The largest number of unemployed was to be recorded in Dolj, followed by Bucharest. The first three places in the top counties with the highest number of unemployed in the private sector we found the counties of Vaslui, Dolj and Hunedoara. In Bucharest, there was a large number of unemployed were the ones made redundant within private companies. The largest number of unemployed workers resulted from the fields of construction, agriculture and related industries.

To limit the effects of the economic and financial crisis measures have to be considered to stimulate investment, production, creating jobs and thus stimulate demand. Another way to undermine the current crisis would be the efficient absorption of EU funds. The European Commission launched a major European initiative in the field of employment. This initiative aims to promote employment and reintegration into employment of workers made redundant through measures aimed to activate and improve their skills. Improving the skills is of paramount importance for the short-term economic recovery throughout Europe, but also for the growth and productivity in the longer term, as well as its work-places and the ability to adapt to change, for fairness, equality between men and women and social cohesion.

The profile regarding the skills of the population and the sectorial distribution of employment varies considerably from one Member State to another and from one region to another. In order to cope with the impact of the crisis on employment and improve the employability of the communitarian labor force on long term, it is essential to improve monitoring, assessment and anticipation of skills, as well as the match between demand and supply of skills.

3. Conclusions

The European employment strategy, and hence the national one, aim at a more flexible character of the labor market and towards the support of employment processes, of the anticipation of the progress of the economic entity and of its various components (markets), which include as mechanisms education, training, re-training, and human development. Competence, quality and performance are the parameters of the formation and evolution of remuneration, as well as to overcome wage rigidities on the labor market such as regional disparities in employment, since unemployment is low in large cities (less than 3%), but affects especially rural areas and industrialized areas due to the lower compensation in farming and industry compared to the services' sector.

Employment and human capital management policies go beyond the framework of the labor market itself, because any strategy of employment is practically a component of the overall strategy of growth and development, thus becoming less operational and effective in addressing the major objectives, the sustainable ones, that are pursued; it also has, even in terms of integration and globalization of economies, a triple dimension: national, respectively macroeconomic, regional (local) and at company level.

The regional development aims at stimulating and diversifying the economic activity, stimulating private sector investment, helping to reduce unemployment and ultimately leading to the improvement of the living standards. In Romania, the regional development emerged as a necessity, on one hand to correct the existing regional disparities, and on the other hand, to undertake and apply EU law in this field. The regional disparities exist and hence the concern of the authorities to adopt long-term regional strategies designed to target the allocation of resources to mitigate and then remove regional disparities. In such cases the state's intervention is mandatory to develop regional development policies but also for allocating resources for this purpose.

The structural demographic changes recorded at the level of the total population are mirrored in both the supply and demand for labor. This way, the numerical and structural changes of the population in close link with the demographic aging of the population affect the level and structure of the active population and its components: employment and unemployment.

Romania's integration into the European Union is the major global determinant that creates the new frameworks for evolution in our society. At this stage, compliance with the European standards in various domains raises some difficulties regarding implementation. Important areas such as agriculture or justice face major problems during

the post-accession period with regard to the absorption of (cohesion) funds and to program implementation.

Just like most areas of the social life, the labor market in Romania, during this period, faces changes of essence. The communitarian conventions on freedom of movement of persons throughout Europe induce major mutations in this area. Romania has become a cheap source of work force (sometimes qualified to the highest level) for western countries in Europe. Despite natural trends of salary increases, in Romania this trend tends to be maintained under the conditions in which it is unlikely that the general standard of living in Romania would face spectacular increases.

Given this geopolitical and social background the labor market in Romania is characterized by particular dynamics. The main threat in this context remains the exodus of specialists, but not only. The shortage of manpower is already felt at the bottom level. The skilled workers in construction or simple farmers seek employment in the West. Tempted by the mirage of higher salaries more and more young people prefer to rely on chance and seek to achieve financial and professional accomplishments without graduating their studies and training in the country. It is highly unlikely that a person who has no ability to prove relevant and significant experience would be able to build a successful career in the West, especially on a labor market subject to evident local pressures. Indigenous resentment towards foreign workers is partly explained by the shortage of well-paid jobs. The availability of western employers towards "imported" workforce is mainly linked to the pos-

sibility of imposing lower wages for the same workload. Undeclared (the so-called work "on the black market") produce additional profits by avoiding payment of legal fees to the state. All these seem arguments designed to imprint a single direction to the phenomenon of immigration. Lower labor cost is reflected immediately in the profits, so that it creates a tacit agreement in the relation employee - employer.

Western Europe promises (and sometimes offers) comfort and wealth. For the majority of Romanian workers the promises of the West are not met. And for this disappointment it is not Europe to bear the responsibility, but we consider that it is the entire Romanian society. And this is basically about a significant lack of information – lack of transparency of the labor market at national level and the institutional inability to professionally manage human resource, these are factors of failure. An educational policy with the center of gravity in the area of theory and the lack of flexibility regarding specializations created major imbalances between various fields. The demographic development is not likely to encourage an optimistic view of the long-term evolution of the labor market in Romania.

Given this background required will be a careful rethinking of the strategies for stimulating the labor market, the proper forecasting of the local developments and to develop a coherent set of measures. According to the generally accepted principle, stating that the main economic resource is the human resource, it is just natural that priority should have the concerns at national level in order to ensure the proper functioning of the labor market.

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