

Analysis of Main Social Indicators Developments Regarding Labour Market in 2007-2009 in Romania

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Abstract

Labor markets at international level, European and equally in Romania, registered in terms of globalization, European integration and the global financial crisis, many transformations while maintaining sustainable competitiveness, new challenges and major risks for the viability of social protection systems. Thus, must be considered: the dynamics of employment rates, occurrence or loss of paid employment, more flexible occupational system, motivational payment, development of new skills for new jobs, promote a professional and geographical mobility, all having major implications for social protection functionality, now and especially in the future. Employment and human capital management in Romania, extends far beyond the actual policies of the labor market, because the employment policy of Romania must be formed in a component of national growth and development strategy, adapted to employment policies of the European Union, globalization of economies, in the context of the current financial crisis.

Keywords: employment, globalization, global financial crisis, unemployment, wages, pensions, employment rate, professional skills, occupational system

1. Introduction

In light of the evolutions of recent years and the events of the world economic new order - globalization and financial crisis, we witness both attempts to increase economic competitiveness, but also long periods with high unemployment, creating new opportunities for growth and employment, but also the disappearance and loss of jobs exposed to increasing global competition. Globalization and integration have created evolutionary advantages and disadvantages in the labor market through a different distribution by country, according on many factors - the economic development level, volume and area of financial investment and trade, social policies, etc., thus creating new jobs, labor force markets suffered a greater degree of flexibility that has lead to better work organization, occupational status of workers, at a better control labor costs, but also the transformation of social protection systems in a burden, because they are not adequate to new economic realities, to increased social insecurity due to job loss and reduce prospects for increasing wages and working conditions. Today, labor market flexibility must be combined with satisfactory levels of social security to meet the requirements of both employers and employees.

2. Quality dimensions in the current labor market

Current social problems are manifested by a more obvious concern of increasing inequality in the distribution and assimilation of results of economic development between rich and poor countries, between groups of people rich and poor, and increase more pronounced and devastating effects of poverty. Multiple international organizations, national and European are increasingly concerned with both theoretical and in practical, with finding effective ways to escalating social problems,

mainly: worsening poverty, long-term unemployment, chronic forms of social exclusion, to avoid a global social crisis, marked by international economic crisis, globalization and aging populations.

Economic globalization has entailed increased liberalization and rapid expansion of world trade, foreign direct investment, transnational financial flows, which in many determinations of these processes entailed asymmetrical consequences on the social situation in countries at different stages of development - impact on labor market and the distribution of wealth and benefits of globalization. These concerns about the adverse impact of globalization and not only, on employment is evident at the European Union level. Thus, we see from 1997 to the adoption by the European Council of the European Employment Strategy (EES), to reduce unemployment and disparity in terms of employment rates, then the Lisbon Summit in 2000, which meant that by 2010 to have at Union level, an overall employment rate above 70%, and the set of measures established in 2005, following SEO analysis, proposals that put more emphasis on growth and employment, on creating new jobs.

Romania, after having left the former Communist bloc, being almost two decades in a deep process of transformation and building of market economy, is facing very serious social problems, some with deep roots in the legacy of the past, others arising from the transition process, the involvement or non involvement of the political class, increasing social inequalities, sometimes blatant, focus institutions providing governance, almost exclusively, only on economic reforms, problems which constitute a challenge for both authorities and citizens, we notice the existence of open conflict between economic and social projects of development, between policies aimed at these projects and the lack of social progress, the accumulation of wealth in few hands, with major impact on the growth of social inequality.

Evolution model of labor employment in Romania was characterized generally on paid activities that were fundamental to the sustainability of social protection system, social protection schemes most important and expensive in Romania - pensions, healthcare and unemployment benefits are based on the principle of social insurance and income funds accrued from contributions paid by employees and employers, applied to wages. Thus, the size allocated to social protection revenue depends largely on a series of elements defining the labor market, those relating to the creation or loss of job and salary size.

The financial crisis triggered in U.S.A in 2008, later global crisis, has generated and still generates in Romania concerns about finding solutions to it's mitigate effects in economic, financial and social. Romania is a vulnerable country to this crisis, because it lacks a strengthened economy, has a low investment capacity, is heavily dependent on capital and foreign investment, an economy with a fragile structure, a large current account deficit with major implications on the exchange rate, decreased exports, these elements having a major determination on Romanians life, by increasing social insecurity: a decrease or loss of income, rising unemployment, deepening poverty, increased crime, deteriorating health and education and hence lower costs for public services and social protection.

3. Dynamics of major social indicators on the labor market in Romania in 2007-2009

3.1. Evolution of the Romanian population in 2007-2009

From Table 1 we can see that we are witnessing a decrease in the total population of Romania in 2008 as compared with 2007 to 0.16% - 34,000 people, and in 2009 compared with 2007 to 0.32% - 64,000 people, and compared with 2008 to 0.16% - 34,000 people, due to a decrease of birth rates and increasing labor migration, a trend that will maintain and in 2010, as a result of increased poverty, the vacancy level of youth, loss of jobs and therefore labor migration, especially of the highly specialized.

At the same time, in the active population, we are witnessing a increase of the employed population in 2008 compared with 2007 to 0.69% - 63,000 people, due to increased need for labor because of the economic growth recorded in late 2007 and the first three quarters of 2008, but also

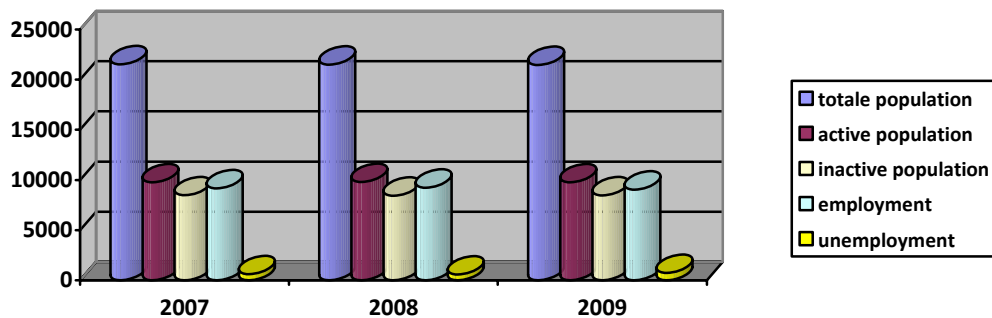
to a decrease in 2009 compared both with 2007 to 1.60% - 147,000 people, and over 2008 to 2.27% - 210,000 people, due to the global financial crisis by the end of 2008 and therefore the loss of jobs, and regarding the unemployment, we observe a decrease in 2008 compared with 2007 to 5.18% - 31,000 people, due to increased need for labor because of the economic growth recorded in late 2007 and the first three quarters of 2008, but also to a decrease in 2009 compared both with 2007 to 22.03% - 132,000 people, and over 2008 to 28.69% - 163,000 people, due to the global financial crisis by the end of 2008 and therefore the loss of jobs, because of pressing during the duration of the crisis of 2009 and the absence of effective measures to stop them.

Tab. 1 - Total population, active and inactive

No.		Population categories		
		-thousand persons-		
		Years		
		2007	2008	2009
1.	Total population	21.538	21.504	21.470
	of which:			
	Population 15 years and over	18.249	18.239	18.224
	Population under 15 years	3.289	3.265	3.246
2.	Active population ⁶	9.773	9.805	9.758
	of which:			
	Employment ⁷	9.174	9.237	9.027
	Unemployment ⁸	599	568	731
3.	Inactive population aged 15 years and over ⁹	8.476	8.434	8.466

Source: National Institute of Statistics

Evolution of Roumania's population



3.2. Evolution of employees in Romanian economy in 2007-2009

The total number of employees in Romanian economy grew in 2008 compared with 2007 to 0.45% - 21,400 people, due to increased need for labor because of the economic growth recorded in late 2007 and the first three quarters of 2008, but also a decrease in 2009 as compared both with 2007 to 7.40% - 349,500 people, and over 2008 to 7.82% - 370,900 people, due to the global financial crisis by the end of 2008 and therefore the loss of jobs and encouraging temporary labor. The main economic activities of production - agriculture, industry, were the most affected, the number of people decrease compared with 2007, both 2008 and 2009. In construction and trade has been increasing the number of people in 2008 compared with 2007, and its decline in 2009, and the services we are witnessing a growing number of people both in 2008 and 2009, compared to 2007 due to lower manufacturing activity and exports of goods.

⁶ Includes all persons who provide labor, available for production of goods and services during the reporting period, including employment and unemployment.

⁷ Includes all persons aged 15 years and over who held a producing goods or services activity for at least one hour during the reference period (one week) in order to get income as wages, payment in kind or other benefits.

⁸ Persons aged 15-74 years who meet all of the following 3 conditions: (i) do not have a job, (ii) are available to start work within the next two weeks, (iii) have been actively seeking a job, anytime in the last four weeks.

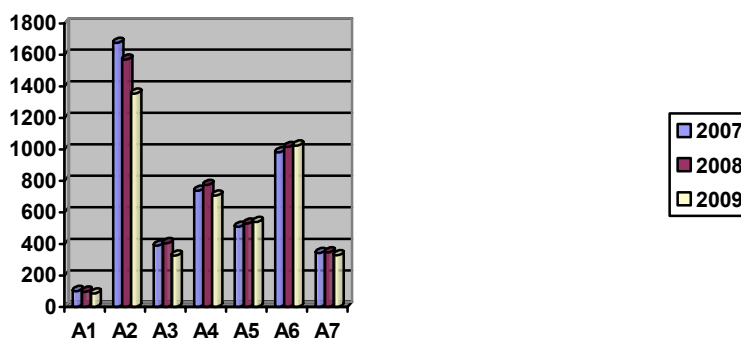
⁹ People who have not yet reached adulthood or are in training, such as students and soldiers in time, housewives, pensioners.

Tab. 2 - Employees in Romanian economy

Number of employees in economy				
- thousand persons-				
Symbol	Economic activities	Years		
		2007	2008	2009
A1.	Agriculture, forestry, logging and related services	101,2	96,9	85,8
A2.	Industry and Electricity, gas and water	1675,5	1570,3	1353,8
A3.	Construction	389,5	404,7	327,5
A4.	Wholesale and retail	738,8	774,8	708,2
A5.	Transportation, hotels and restaurants, post and telecommunications, financial intermediation, R & D and IT	508,9	530,2	539,2
A6.	Education, health and welfare, public administration and defense, insurance and pension funding	980,3	1015,4	1024,6
A7.	Other	343	347,7	328,6
TOTAL		4717,2	4738,6	4367,7

Source: National Institute of Statistics

Number of employees in economy



3.3. Rate developments on employment and unemployment in Romania's economy in 2007-2009

Employment rate of population in 2008 was increased compared with 2007, by 11.7% to 70% target set in 2010 by the Lisbon Strategy, due to increased need for labor because of the economic growth recorded in late 2007 and the first three quarters of 2008, by the outbreak of financial crisis and increased activity rate of population and unemployment in 2008 has been decreasing compared to 2007, due to a decrease in the number of unemployed, and to increasing need for labor. In 2009, the employment rate of the population was declining by 12.6% against a target of 70% set in 2010 by the Lisbon Strategy, and the unemployment rate was increasing, both compared with 2007, as and 2008, due to the global financial crisis by the end of 2008 and therefore the loss of jobs.

Tab 3 - Employment rates and unemployment in the Romanian economy

No.	Rates on employment and unemployment -% -	Years		
		2007	2008	2009
1.	Employment rate of working age population ¹⁰	57,9	58,3	57,4
2.	Activity rate of working age population ¹¹	61,8	62,0	62,3
3.	Unemployment rate ¹²	6,1	5,8	7,5

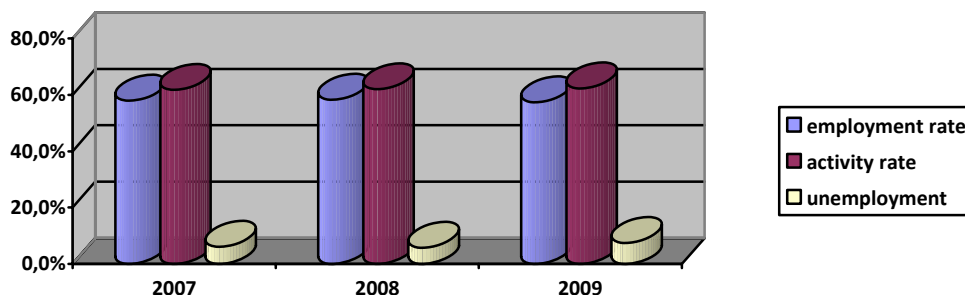
Source: National Institute of Statistics

¹⁰ Share of employed population aged 15-64 in total population aged 15-64 years.

¹¹ Share of active population aged 15-64 in total population aged 15-64 years.

¹² Share of unemployed population in total active population.

Evolution of employment rates, activity and unemployment



3.4. The evolution of consumer price indices of the Romanian economy in 2007-2009

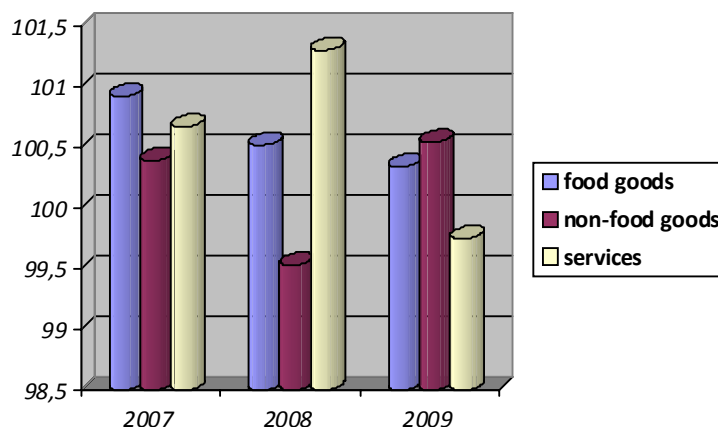
In the case of food prices we are witnessing a decline in both 2008 and 2009, compared with 2007, primarily due to growth, purchasing power and hence consumption growth in 2008, but the current crisis financial encouraged consumption in 2009. Non-food goods prices decreased in 2008 compared with 2007 due to economic growth recorded in late 2007 and the first three quarters of 2008 and therefore the construction sector consumption, and increased in 2009 compared both with 2007 and 2008, due to the financial crisis that triggered a series of abusive tax policy approaches for private economic system. For services the prices fell in both 2008 and 2009, compared with 2007, primarily due to growth, increased need for services and therefore increased consumption in 2008, but the financial crisis of 2009 encouraged the consumption of services, and service orientation of employees in the economy.

Tab. 4 - Consumer price indices of the Romanian economy

No.	Consumer price indices	Years		
		2007	2008	2009
1.	Food goods	100,92	100,52	100,34
2.	Non-food goods	100,39	99,53	100,54
3.	Services	100,67	101,30	99,75
TOTAL		100,64	100,23	100,32

Source: National Institute of Statistics

Consumer price indices



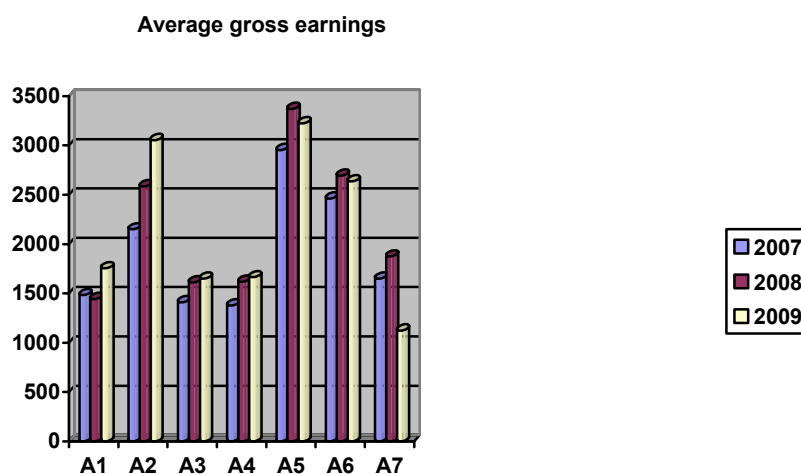
3.5. Evolution of average gross earnings in Romania during 2007-2009

Average gross earnings in Romania increased in 2008 compared with 2007, due to economic growth and consequently to wages, and stagnated in 2009 compared with 2008, because it kept the same level of wages in areas where they kept their jobs.

Tab. 5 - Average gross earnings in Romania

Average gross earnings				
- lei -				
Symbol	Economic activities	Years		
		2007	2008	2009
A1.	Agriculture, forestry, logging and related services	1483	1442	1755
A2.	Industry and Electricity, gas and water	2149	2585	3053
A3.	Construction	1411	1612	1650
A4.	Wholesale and retail	1377	1617	1664
A5.	Transportation, hotels and restaurants, post and telecommunications, financial intermediation, R & D and IT	2954	3370	3224
A6.	Education, health and welfare, public administration and defense, insurance and pension funding	2461	2695	2635
A7.	Other	1649	1875	1122
TOTAL		1730	2023	2023

Source: National Institute of Statistics



4. Operational mechanisms of labor market employment strategies in Romania

The experience of the recent years and the dynamic developments studied in the previous chapter brings to the fore the devastating impact of global financial crisis, amplified by the specific problems of Romania, expressed through a series of disruption throughout the country:

- Increased prices of goods and services imported or import-dependent, due to currency devaluation and adverse tax policies, and thereby increase the consumer price index; inflation has reduced purchasing power of Romanians;
- Unemployment through job losses and therefore long-term unemployment, of under employment, early retirement, reduction in wages and income and eventually deepening poverty;
- The share of wages in total income decreased, thus altering the distribution of state revenues and social security budget, with major impact on social protection;
- The crisis has brought changes to education - increasingly more children on different educational levels dropped out of school due to poverty; on peoples health through rights loss of insured by

reducing budgets for expenditure on drugs, etc., through increase diseases due to occupational stress, poor nutrition and poverty;

- Increasing social insecurity, crime and domestic violence;
- Hidden unemployment as one of the main sources of black market labor and external migration course - over 25% of the population works abroad;
- Widening policy of granting low pay, temporary work, the overlapping of functions, all with significant impact on economic competitiveness and social decline, encouraging tax evasion, with negative implications on the ability to finance social protection schemes current and in the future.

To mitigate the impact of globalization, the global financial crisis, to combat rising unemployment, to reduce budget deficits with finance social protection, should be considered two major route of coordination:

A. Increasing employment and improving the quality and quantity of jobs

B. Reforms supported social protection and social inclusion

The two major pathways, components of social policies can not be fully met without regarding the insurance of macro and micro economic policies:

a) At the macroeconomic level:

- Economic stability;
- Creation and promotion of efficient resource allocation policies;
- Creating a sound fiscal and economic sustainability;
- Ensuring a positive development of wage dynamics that will ensure economic stability and achieving a high competitiveness;
- The alignment of economic and social policies in Romania to those already experienced in the European Union.

b) At the microeconomic level:

- Increasing investment in Research & Development, with high attention in the private sector, and facilitate all forms of innovation;
- Increased investment in consumer goods and food, reducing imports and increasing domestic employment;
- Supporting and strengthening the competitive advantages of Romania in Europe and worldwide;
- Encourage the efficient use of human, material and financial;
- Extending the internal market;
- Bringing the benefits of globalization by identifying and opening of markets inside and outside Europe;
- Increasing the entrepreneurial environment and supporting small and medium enterprises.

A. The extent of financial crisis adds a high degree of unpredictability of the future of the Romanian economy; however it is important for Romania to consolidate its human capital and its capacity of professional integration by improving its skills:

- Increased powers at all levels is essential, because it responds to market labor demands in skills and promotes the capacity of employment;
- Policies for education, training and employment, should focus on improving and adapting skills and improve training opportunities at all levels, to promote a highly skilled workforce, able to meet the characteristics of new jobs that could be created;
- Expanding and improving the investment in human capital;
- Providing favorable developments for increasing labor costs to provide a motivational climate for employees;
- Increasing occupational safety and reducing market segmentation by promoting fiscal and social policies taking into account the role of socio-economic partners;
- Achieve a high level of employment through labor market reforms provided also by the European Employment Strategy;
- The implementation of employment policies aimed at full employment and strengthening social and territorial cohesion.

B. The main development objectives in the field of social protection in Romania should cover three main areas of specific policies:

- Eradication of poverty and social exclusion: ensuring equitable access to resources and rights of citizens participation in society; combating all forms of discrimination leading to social exclusion, promoting active inclusion, through labor market participation and poverty alleviation, government involvement in promoting public policies with impact on curbing social exclusion, through education, professional training and in harmony with the European social inclusion policies;

- Adequate and sustainable pensions: by ensuring adequate pensions for economic and social context, ensure fairness and transparency on how to grant pensions to all beneficiaries, providing the ability to maintain living standards; promoting the principle of solidarity for the same generation and between generations; replacing the retirement ages by extending working lives and discourage early retirement; ensuring sustainability of pension system through pension reforms, sound fiscal policies, by creating reserve funds and supporting private pension funds financially solid, with a proper management; the social security adjustment to maintain balance for pension system; modernizing social protection, identifying reforms that would provide answers to common problems and adapt the pension system to demographic aging process;

- Health systems and affordable care, high quality and sustainable: by all citizens access to health services and care, ensuring that care needs should not lead to poverty and financial dependency, eliminate inequities regarding the access to health care, development of quality standards through increased accountability of medical, treatment conditions and benefits to patients; ensuring sustainability of the system through the use of resources, solutions for the creation of reserve funds and health and social security contribution adjustment to maintain balance in health insurance system; adapting the operating condition of the Romanian system at the operating conditions of the health systems of European countries.

5. Conclusion

The national employment strategy should consider supporting processes through flexible labor market employment, measures to anticipate timely the employment change and reconversion and the evolution of national economy, through enhanced education, professional training, developing new skills and human capital. Skills and work performance, quality management and forecasting of human resources, are the main determinants factors of labor market developments, wage growth, and limiting labor contraction and regional disparities occupancy. Social protection system in Romania is closely linked to labor market dynamics, only that the labor market in Romania is a market with many problems, marked by massive long-term unemployment, with major imbalances in the social protection system, in the context of social protection need for a large of protected, job losses under the current crisis conditions cause unemployment, hidden unemployment and informal employment to remain the greatest threat to sustainable social protection and for an adequate safety of citizens.

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