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Effects of the Economic Crisis on the Standard of Living in Romania

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Abstract

The global economic crisis affected not only different institutions and companies, but also the standard of living of population. Romania is far from getting out of this crisis, and its impact may be measured by different indicators assessing the standard of living of population, such as active population, employed population, employment rate, unemployment rate, population income, consumption expenditure of population etc.

Key words: *economic crisis, population income, unemployment, salary expenses, population consumption*

1. Introduction

Romania is far from getting out of the economic crisis affecting the human kind at global level. Its effects are felt the most by the population the poverty rate of which is increasing. This, in turn, influences the standard of living which is also connected to the decrease of income level and the increase of consumption expenditure, so on quality of life. *The quality of life involves human, social-economic and health characteristics (Rova, L., Mano, R..2009).*

2. Effects of the economic crisis on the standard of living in Romania

During the economic crisis, in Romania, the active population is decreasing, from 9,994 thousand persons in 2007, to 9,944 thousand in 2008 and 9,965 thousand in 2010. This decrease of active population was accompanied by the decrease of employed population and by an increase of the number of unemployed persons. Compared to 2007, in 2010, the number of unemployed persons has increased with more than 13 %.

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Table 1: Population by participation in economic activity

Indicator	thou. persons			
	2007	2008	2009	2010
Active population	9994	9944	9924	9965
Employed population	9353	9369	9243	9240
ILO unemployed persons	641	575	681	725

Source: Statistical Yearbook of Romania, 2011

This population structural changes started since 1989 and are the consequences of the political and economic transition and is the result of following factors: lower birth rate than death rate and high migration.

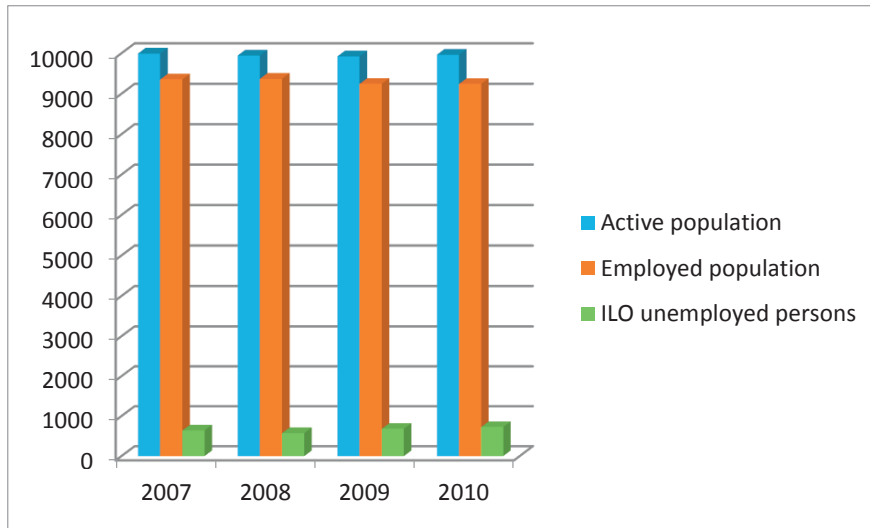


Figure 1: Evolution of indicators (active population, employed population and ILO unemployed persons), 2007-2010

The activity rate swung between 63 % in 2007 and 62.9 % in 2008, 63.1 % in 2009 and 63.6 % in 2010. This activity rate was accompanied by an increasing unemployment rate. Thus, compared with an unemployment rate of 5.8 % rate in 2008, in 2010, it has reached 7.3 %.

Table 2: Activity rate and unemployment rate, 2007-2010

Indicator	%			
	2007	2008	2009	2010
Activity rate	63.0	62.9	63.1	63.6
ILO unemployment rate	6.4	5.8	6.9	7.3

Source: Eurostat

In 2010, the employment rate for the persons between the ages of 15 and 64 in UE-27 has decreased to 64.2 %, compared to 64.6 % in 2009. This decrease with 0.4 percents has added to the 1.3 percents of decrease registered in 2009 compared to 2008.

Romania is below this rate; in 2010, the employment rate of the labour force between the ages of 15 and 64 was of 58.8 %, with 5.4 percents below the one registered in UE-27 in the same year. Compared with the previous years, in 2008, an increase of 0.2 percents took place compared to 2007, in 2009, a decrease of 0.4 percents took place compared to the previous year, and in 2010, a slight increase of 0.2 percents took place.

From the data published by Eurostat, it is established that, in general, the employment rate is lower for women and elderly persons. The employment rate also varies depending on education.

Table 3: Employment rate for persons between the ages of 15 and 64

Employment Rate	2007	2008	2009	2010	%
UE-27	65.4	65.9	64.6	64.2	
Romania	58.8	59.0	58.6	58.8	

Source: Statistical Yearbook of Romania, 2011

As regards the level of education, it is established that the employment rate for employees with higher education has decreased in 2010 compared to the previous year from 88 % to 87.1 % and has increased for employees with secondary education (from 67.1 % in 2009 to 67.9 % in 2010), and for the ones with low education (from 46.1 % in 2009 to 46.3 % in 2010).

By analyzing the same employment rate on areas, it is established that the activity rate is higher in rural area compared with the urban area, and the unemployment rate is higher in urban area compared with the rural area. Thus, in 2009, the unemployment rate in urban area was of 8.1 % compared with 5.4 % in rural area, and in 2010, the unemployment rate in the urban area was of 9.1 % compared with 5 % in the rural area.

Table 4: Activity, employment and ILO unemployment rates, by educational level and area

Indicator	2009				2010				%
	Total	Educational level			Total	Educational level			
		<i>Tertiary</i>	<i>Medium</i>	<i>Low</i>		<i>Tertiary</i>	<i>Medium</i>	<i>Low</i>	
Activity rate	63.1	88.0	67.1	46.1	63.6	87.1	67.9	46.3	
Urban	57.1	84.7	59.0	23.4	57.3	83.1	59.1	23.7	
Rural	60.7	78.6	68.0	52.0	60.9	76.6	68.0	52.7	
ILO unemployment rate	6.9	4.3	7.2	7.5	7.3	5.4	8.3	6.1	
Urban	8.1	4.2	8.3	18.0	9.1	5.3	9.7	16.7	
Rural	5.4	5.8	5.6	5.0	5.0	5.9	6.0	3.8	

Source: Statistical Yearbook of Romania, 2011

From the total of employed population, of 9,240 thousand persons, it is established that 65.6 % are employees, 1.3 % are employers, 20.3 % are commercial workers, and 12.7 % are family workers with no salary. Their presence leads to higher activity and unemployment rates within the rural area.

Table 5: Employment structure by status in employment, in 2010

Total employment (thou. persons)	of which, by status in employment (%):				%
	Employee	Employer	Self-employed	Contributing family Worker	
9240	65.6	1.3	20.3	12.7	

Source: Statistical Yearbook of Romania, 2011

The number of persons which received unemployment benefit in 2010 was of 329,639 persons, decreasing compared to 2009, but increasing compared to 2007 and 2008.

Table 6: Registered unemployed and unemployment rate (end of year)

Indicator	2007	2008	2009	Total unemployed
				2010
Total	367838	403441	709383	626960
Persons which received unemployment benefit	121389	143549	435497	329639
Primary school, high school, vocational school	74249	86056	262026	178728
High school and post-secondary school	37781	44650	131855	110052
Higher education	9359	12843	41616	40859
Beneficiaries of income support allowance	-	-	-	-
Primary school, high school, vocational school	-	-	-	-
High school and post-secondary school	-	-	-	-
Higher education	-	-	-	-
Beneficiaries of subsidies				
According to the Government Emergency Ordinance no. 98/1999	121	-	-	1
Primary school, high school, vocational school	64	-	-	1
High school and post-secondary school	48	-	-	-

Higher education	9	-	-	-
Unemployed persons which did not receive allowances	246328	259892	273886	297320
Primary school, high school, vocational school	216027	225848	240969	262874
High school and post-secondary school	23884	26169	24497	25536
Higher education	6417	7875	8420	8910
Unemployment rate (%)	4.0	4.4	7.8	7.0

Source: Statistical Yearbook of Romania, 2011

As percent of the total of persons receiving unemployment benefit, the persons with low education represented 59.68 % in 2007, 59.93 % in 2008, 60.22 % in 2009 and 54.21 % in 2010. The graduates of high school and post-secondary school which received unemployment benefit, represented 31.12 % in 2007, 31.10 % in 2008, 30.11 % in 2009 and 33.43 % in 2010.

The lowest level of the persons which received unemployment benefit was registered for the higher education graduate persons which varied between 7.7% in 2007, to 8.9 % in 2008, to 9.5 % in 2009 and to 12.3% in 2010.

As one can see, during the period under review, the unemployment rate for persons with higher education is increasing.

The continuous increase of the unemployment rate was the result of the decreased number of enterprises which performed their activity within the period under review. As one can see, the number of enterprises has decreased in 2010 with 9.5 % compared with 2009.

Table 7: Total number of enterprises

Indicator	No.	
	2009	2010
Total enterprises – out of which	519441	470080
- State owned capital	848	1032
- Private capital	518593	469048
- Foreign capital	29943	23211

Source: Statistical Yearbook of Romania, 2011

Economic crisis has also resulted in the decrease of incomes obtained by population.

Table 8: Total income of households

Indicator	Lei, monthly per household			
	2007	2008	2009	2010
Income of households generated by:				
Employees	2347.16	2852.99	3105.05	3091.09
Farmers	1281.90	1594.47	1823.04	1672.24
Unemployed persons	1136.03	1300.62	1609.24	1647.32
Retired persons	1274.07	1704.38	1871.67	1905.44

Source: Statistical Yearbook of Romania, 2011

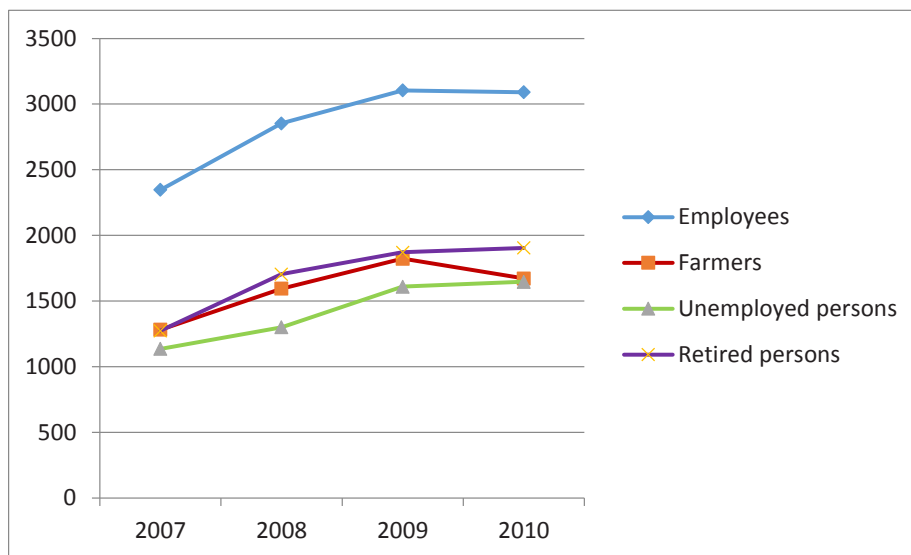


Figure 2: Evolution of incomes by categories of households, 2007-2010

Although the incomes of population increased year on year, except the agricultural incomes which have decreased in 2010 compared with 2009, these incomes were not correlated with inflation and thus the absolute poverty has increased. The social impact of the crisis is likely to be long-lasting, as the impact on unemployment, incomes, and poverty will persist long after economic growth has recovered (Slay B, 2009).

The high unemployment and low incomes have contributed to increased migration. The external migration causes diverse effects at macroeconomic level. The most important impacts are connected with severe disequilibrium and dysfunctions on the labour market (Roman Monica, Voicu Cristiana, 2010).

Total expenses of households have increased, thus justifying the increase of poverty level of population. The crisis had to do with too much consumption and too little savings (Barlett W., Monastiriotis V., 2009).

Table 9: Total expenditure of households

Indicator	Lei, monthly per household			
	2007	2008	2009	2010
Total expenditure of households by:				
Employees	2108.64	2540.00	2707.51	2722.89
Farmers	1228.89	1501.31	1723.39	1618.49
Unemployed persons	1154.55	1360.36	1556.06	1615.92
Retired persons	1170.31	1504.48	1639.60	1685.39

Source: Statistical Yearbook of Romania, 2011

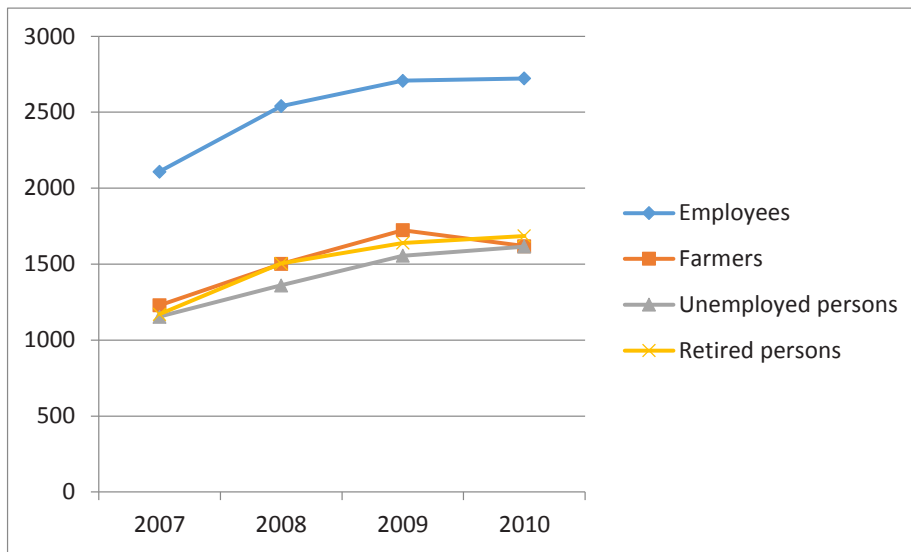


Figure 3: Evolution of expenditure by categories of households, 2007-2010

Together with the absolute poverty, the risk of poverty of employed persons has also increased. Population at risk of poverty represented in 2010 41.4 %, Romania thus being on the first place in Europe.

Table 10: Total expenditure of households

Indicator	Lei, monthly per household			
	2007	2008	2009	2010
Total consumption expenditure of households by:				
Employees	1456,23	1727,84	1836,94	1849,57
Farmers	779,40	931,25	1103,67	1065,70
Unemployed persons	931,84	1097,92	1265,17	1317,84
Retired persons	880,99	1135,50	1253,30	1286,43

Source: Statistical Yearbook of Romania, 2011

3. Conclusions:

- Economic crisis had as an impact on the population the decrease of the standard of living
- Population with average incomes has felt the most the impact of the economic crisis
- The economic crisis led to unemployment for a large number of employees
- Employment opportunities are more and more scarce for persons with higher education

In conclusion, the economic crisis had negative effects both on the decrease of population incomes, and on the decrease of the number of jobs. Within the private sector, layoffs and pay cuts, and in the public sector, pay cuts and job freezing took place. Companies, as well as population, have become vulnerable to the emerging changes, many of them being subject to insolvency proceedings.

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