

THE IMPACT OF THE ECONOMIC CRISIS TO EMPLOYMENT AND UNEMPLOYMENT RATE IN ROMANIAN MACROREGION

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ABSTRACT: *The convergence of the employment rates and the achievement, until 2020, levels of 70% as well as reducing unemployment rates in Member States and in the macro regions and of development regions, are important objectives of the European Union. In Romania, although in the period 2002 - 2012, both the employment rate and the unemployment rate have evaluated with much smaller amplitude than in other EU member states at the level of macro regions and of development regions, they differ significantly. The paper examines trends of the employment rates and unemployment rates on the four macro regions and eight development regions in Romania during the period preceding and after the onset of the economic crisis it. It is highlights convergent and divergent processes that occurred in the analyzed period*

Keywords: *employment, unemployed, economical crisis, European Union, regional statistics*

Cod JEL: *C10, J08, J21*

1. Introduction

As outlined in a previous article, the economic crisis that started in 2009 had major implications for the labor market in most EU member countries. “These unfavourable evolutions have determined the European Commission to bring forward a big number of proposals on 18 April 2012 concerning some of the measures of stimulate the job creation through a dedicated employment package. The proposals concerns, among other things, the creation of new jobs from the point of view of demand, through the establishment of ways in which the member states may encourage commitment by reducing wage tax revenue or through a better business support newly established. Proposals also concerns, identify economic areas with a potentially important for the creation of a considerable number of jobs, such as eco-economy, health services and information technology and communications” (Zaharia & Bălăcesu, 2013).

In Romania, the occupancy both for female population and male in the analized period was affected more by restructuring that took place during the period preceding the economic crisis and to a lesser extent by the economic crisis. If in 2000 the employment rate of male population was 68.6% in the period preceding the crisis, after a dramatic decline in 2002 to 63.6% reached in 2008 to 67.7%, by 3.1 percentage points less than in 2000 during the economic crisis, the decline is only 0.7 percentage points, from 65.0% in 2011 to 66.5% in 2012.

A similar situation, but smaller values are recorded in terms of employment rates of female population. Thus, in 2000 the employment rate of female population was 57.5% in the period preceding the crisis, after a dramatic decline in 2002 and 2003 (51.5% in 2003), reached in 2007 to 52.8%, with 4.7 points percent less than in 2000. Decline during the economic crisis, however, is only 0.8 percentage points, 52.0% in 2011, as in 2012 to reach 52.6%.

If this is the case throughout the country, on the macro regions and regions, economic developments have had significant influence on the labor market. Regional development is a strong relationship between the developments of the country. We mean the development of areas that make up a country, it means that the development of the country as well. Ensuring efficiency in the allocation of resources and the most important goal of regional development, social justice and the distribution of income (Zaharia, Halil Ibrahim, Bălăcescu, 2012: 3).

The sources of data used in the paper are Eurostat databases (http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/employment_statistics/ro) and databases of the National Institute of Statistics of Romania (<https://statistici.insse.ro/shop/>).

2. The evolution of employment rate of the working age population on macro regions

In order to homogenization of territorial units for EU regional statistics, they are hierarchically structured on three levels: NUTS 1 (97 regions), NUTS 2 (271 regions) and NUTS 3 (1303 regions). In Romania, following their accession to the EU, the three NUTS levels have the following structure (EC No.176/2008): NUTS 1, 4 macro, NUTS 2, 8 regions and NUTS 3, regions counties in each region.

From territorial statistics, we find a great difference between the regions and macro-regions of Romania, in terms of economic development. An equalization strategy for the development in territorial could start from the concern different levels of participation in the economic life of the population (Simion 2012).

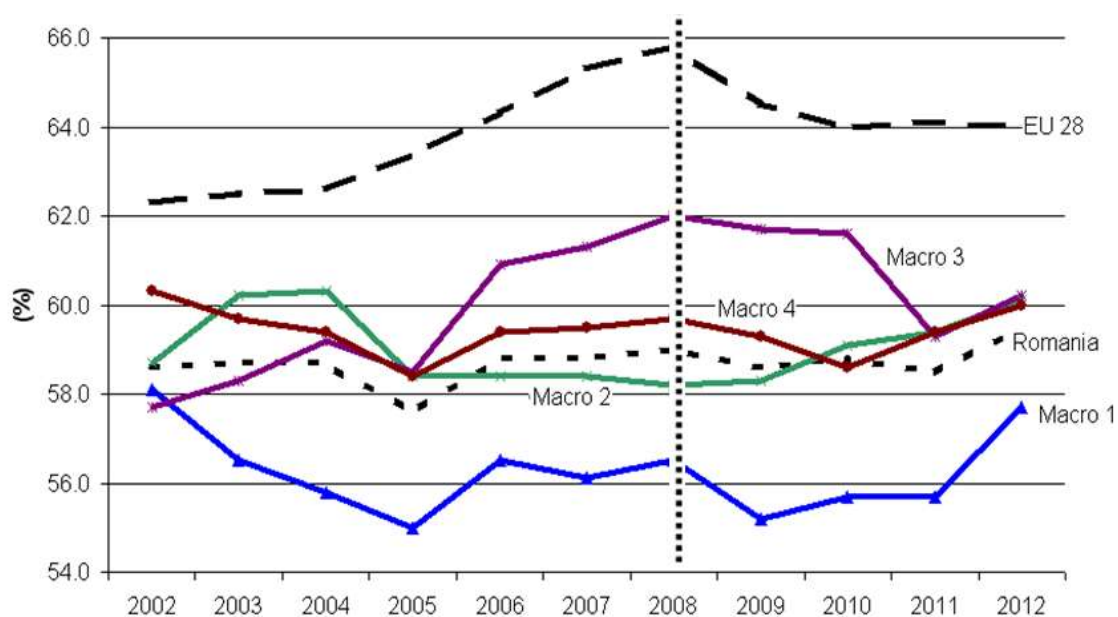


Figure 1 – Employment rate (15 – 64 years) on Romania's macroregions

In the period 2002 - 2012 at the territorial level (Figure 1), between the macro regions, have been developments, which differ significantly. So, if employment rate of population between 15 and 64 years in Romania, recorded 58.6%, in 2002, 57.6%, in 2005, 59.0% in 2008, and 59.5% in 2012, three macro regions recorded values above average in 2012 at the country level (60.1% in the macro 2, 60.2% in macro 3, respectively 60.0% in macro 4). In last place is Macro 1 with employment rate of 57.7% (by 1.8 percentage points below the average).

As can be seen from Figure 1, the process of restructuring that took place in Romania in the period preceding the economic crisis significantly influenced developments in the macro-employment rates. A significant decline is recorded in 2005. In 2005, with the exception of Macro 3, in which, compared to 2002 employment rate was higher by 0.8 percentage points in the other have decreased. In Macro 2 and 4 the employment rates recorded the same value, 58.4%, after a decline of 1.9 percentage points in Macro 4 and only 0.3 percentage points in Macro 2. The largest decline in employment rate recorded by Macro 1, from 58.1% in 2002 to 55.0% in 2005 (3.1 percentage points). Period 2005 - 2008 is characterized by increases in employment rates in Macro 1, 3 and 4, and a relatively constant trend in Macro 2.

In 2008 values the employment rate fell from a peak of 62.0% (3.0 percentage points above the average in Romania and 3.8 percentage points less than the EU average) and a minimum 56.5% in macro 1. The size of gap between the values recorded at the macro-level in 2008 was 5.5 percentage points versus 2.2 percentage points in 2002. Taking this into account, we conclude that during the period preceding the economic crisis, between regions in terms of the employment rate, there was a divergent process.

The economic crisis has also different influences on employment rates macro. If in Macro 1, 3 and 4 have been recorded decreases in the employment rate, the most significant by the 2.7 percentage points being recorded in Macro 3, in Macro 2, the employment rates increased from 58.2% in 2008 to 59.4% in 2011. The year 2012 brings increases in the employment rate in all four macro. Note that, while at the EU level the employment rates have remained at the same value, the increase registered in Romania was, with values between

0.6 percentage points in Macro 4 and 2.0 percentage points in Macro 1, at the level of Rumania the increase being 1.0 percentage points.

Regarding the development gap between the values of the employment rates of development regions in Romania, it fell to 2.7 percentage points. We conclude that in the period 2008 - 2012 has been a process of convergence. Also was reduced the gap with the EU average.

3. The degree of employment at the regional level

Looked at in terms of distribution by regions (Figure 2), in 2012, the lowest employment rate was registered in the Central Region (53.4%), and the highest in North-East Region (64.9%) followed closely Bucharest-Ilfov Region by the (64.5%). Values above the average in the country have been recorded in the West Region (58.9%), South Muntenia (57.1%) and South-West Oltenia (53.9%).

Significant differences were recorded between the evolutions of the values of employment rates registered at the level of development regions. The most significant evolution of the employment rate was recorded in Bucharest-Ilfov region from 56.6%, in 2002, to 64.5% in 2012. Noting that during the 2007-2012 the increase was approximately linear without being influenced by the economic crisis. This situation due to the fact, that in this region, there is Bucharest, capital city.

In macro 1, the evolution of the employment rate, on the two regions, in the analyzed period, differ significantly. In the North East region, the employment rate of the population between 15 and 64 years for the period 2004-2008 registered a significant decrease (from 58.1% to 56.4%). After 2008, although in time of crisis, the employment rates have increased continuously with about 1.08 percentage points annually. On the other hand, in the Central region, employment rates fell from 58.0% in 2002 to 56.6% in 2008 and 53.4% in 2012, the entire period was 4.6 percentage points. The gap between the values of employment rates of these, increasing from 0.1 to 8.2 percentage points. Developments are strongly divergent.

In Macro 2, although in the period 2002 to 2008 in both regions, the employment rates recorded a slight decline from 60.9% in 2002 to 60.5% in 2008, in North-East region, respectively, from 56.0% in the 2002 to 55.3% in 2008 in the South-East, evolutions during the economic crisis are different. While in the North-East region, the employment rate increased from 60.5% to 64.9% in 2012 (4.9 percentage points) in the South-East region employment rate continues to decline, reaching 53.9% in 2012, the entire analyzed period, the decrease being 2.1 percentage points. As a result of these evolutions the gaps between their employment rates increased from 4.9 to 11.0 percentage points. In the case of Macro 2, in the analyzed period, there was a significant process of divergence between the employment rates of Node-East and South-East regions.

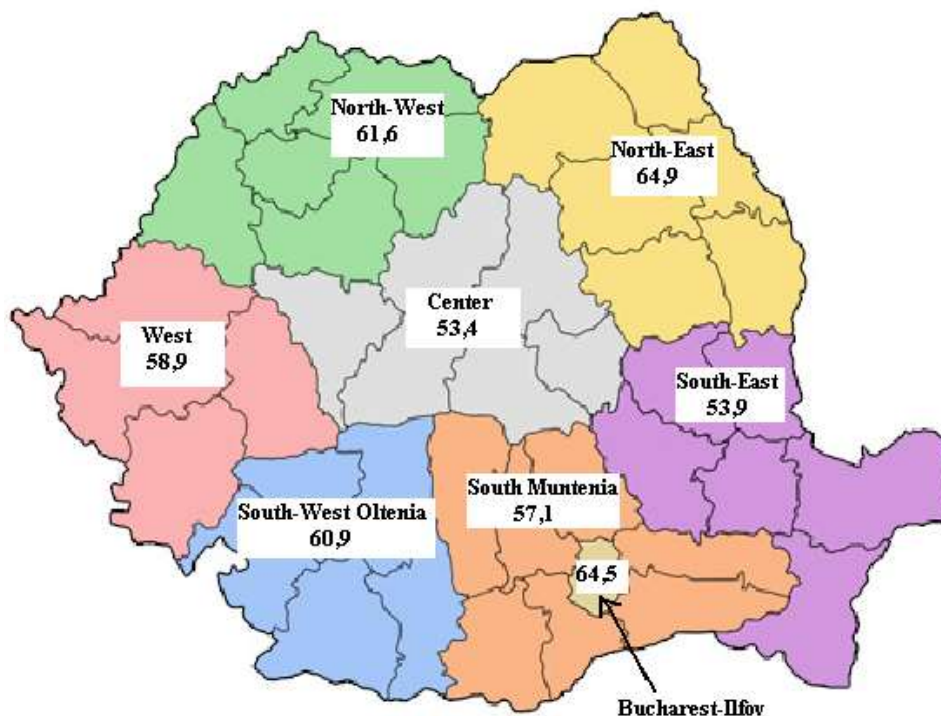


Figure 2 – Territorial disparities of employment rate (%) - 2012

A situation similar to that in Macro 2, is recorded in Macro 3. While South Muntenia region recorded a maximum in 2008, the employment rate being 61.1%, followed by a decline during the economic crisis (in 2012

employment rate was 57.1%), the Bucharest - Ilfov region reveals a significant increase and continuing in the whole period. The employment rate evolution in South Muntenia and Bucharest - Ilfov diverge, the gap increased from 1.8 percentage points in 2002 to 7.4 percentage points in 2012.

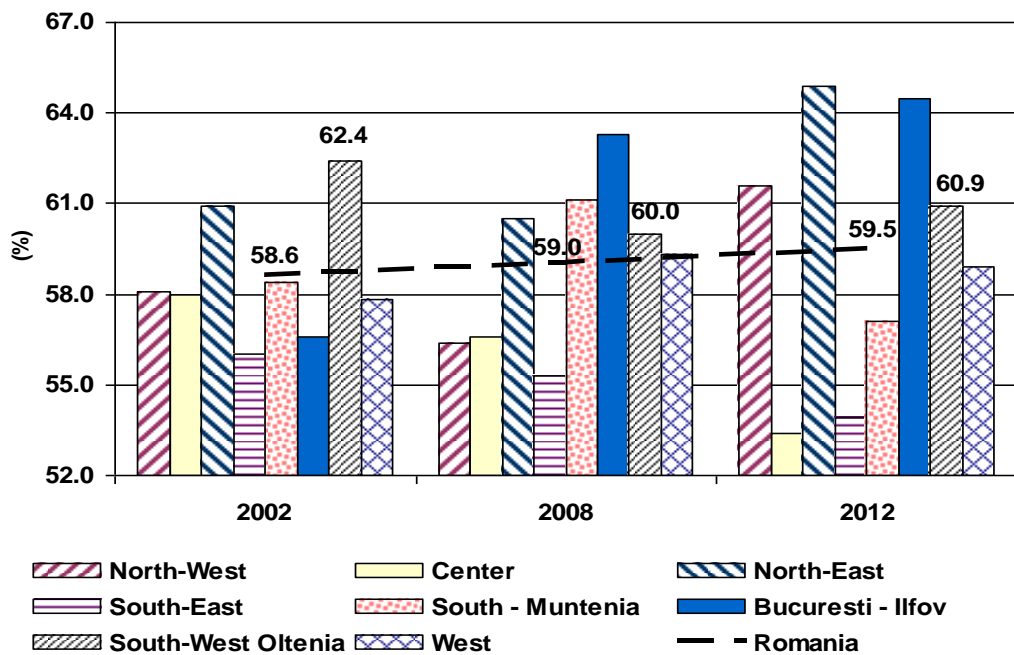


Figure 3 – Employment rate (15 – 64 years) on Romania's regions

In the case of South-West Oltenia and West, components of Macro 4, the evolutions of the employment rates are somewhat different from the other macro regions. While in the South West Oltenia region is recorded a minimum in 2008, the employment rate being 60.0%, followed by a slight increase during the economic crisis (in 2012 employment rate reached 60.9%) in West region there is a maximum in 2008, the employment rate being 59.3%, followed by a slight decrease during the economic crisis (in 2012 employment rate being 58.9%). Unlike the other three macro regions, in Macro 4 the evolutions of the employment rates converge, the gap decreased from 4.8 percentage points in 2002 to 2.0 percentage points in 2012.

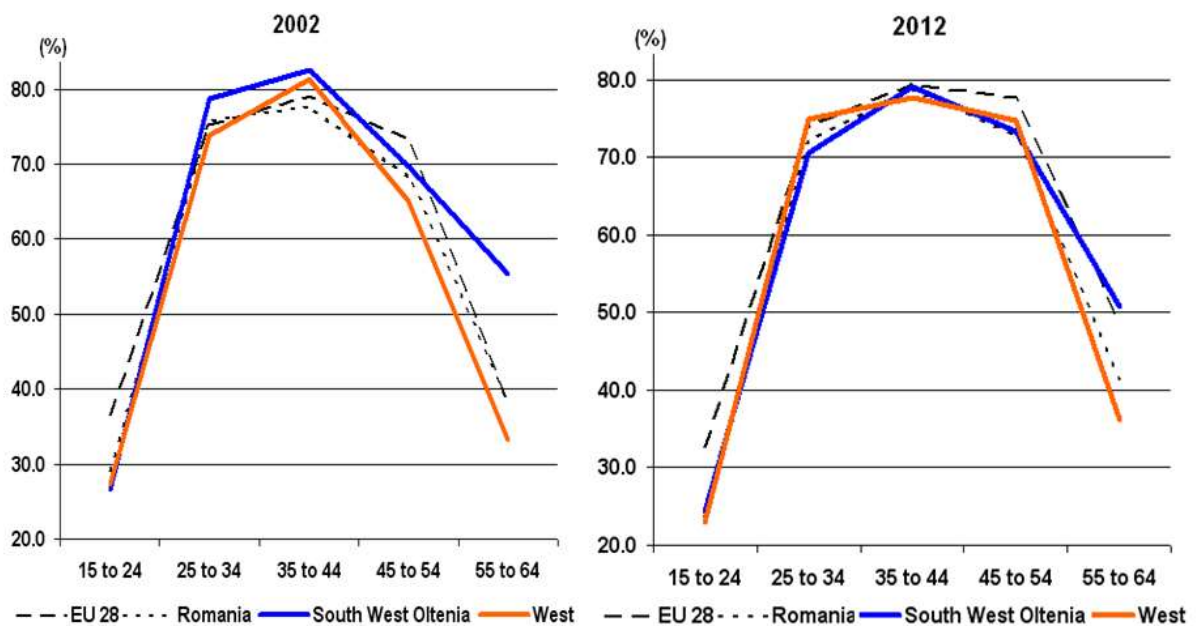


Figure 4 – Romania - Employment rate by ages - Macro 4 – Total

Regarding the evolutions of the employment rates by age group in the the period under review, the evolutions, by development regions were different. Thus, in the Macro 4 the evolutions of employment rates, both towards the averages in Romania and in the EU is relatively small, larger differences occurring in the age group 55-64 years (Figure 4), among the development regions of Macro 2 (Figure 5), the differences are significant.

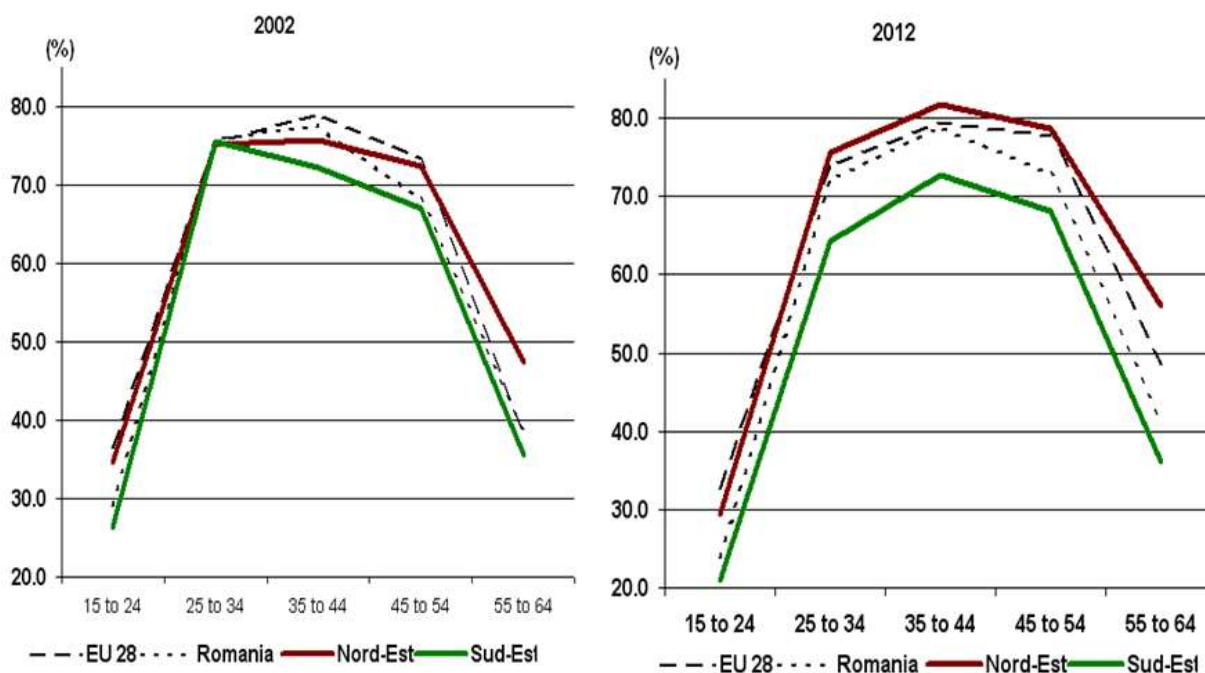


Figure 5 – Romania - Employment rate by ages - Macro 4 – Total

In the case of Macro 4 is worth noting that if in 2000 the employment rates both in the South West Oltenia region and in West region, for the age group 45-54 years, the values were significantly lower than for the age group 35 - 44 years (12.9 percentage points in the South West Oltenia region, and 16.4 percentage points in the West region), their values become comparable in 2012 (5.9 percentage points in the South West Oltenia region, and 3.0 percentage points in the West region).

In macro 2 the gap between the employment rates by region and age group increases. Significant is that the employment rates across all age groups in the the South East region in 2012 are much lower than those recorded in North East region, by 8.3 percentage points for the age group 15-24 years, by 11.3 percentage points for the age group 25-34 years, by 8.9 percentage points for the age group 35-44 years, by 10.4 percentage points for the age group 45-54 years, and by 19.9 percentage points for the age group 55-64 years

4. Dynamics of unemployment in some EU countries

A significant indicator for the understanding and evaluation of the economic crisis, viewpoint of social aspect, is the dynamics of unemployment. The evolution of unemployment rates for some EU countries in 2002-2012 periods is presented in Figure 6.

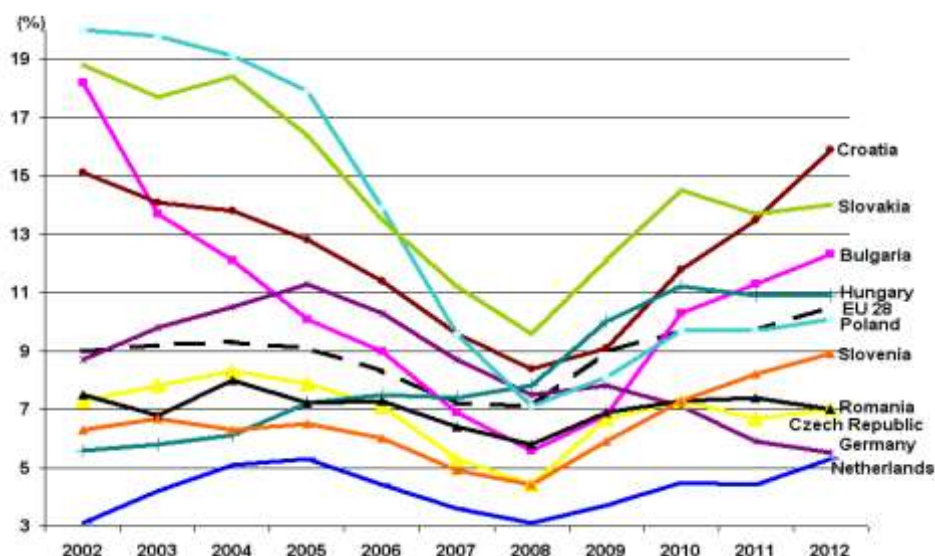


Figure 6 –Unemployment rate evolution in 2002-2012 period in some EU countries

The economical crisis has had a major impact on the European labor market: unemployment rate increased by 2.0 percentage points (from 7.1% in 2008 to 9% in 2009) will reach 10.5% in 2012. On the European continent the highest unemployment rates met in Spain (25%), Greece (24.3%), Croatia (15.9%), Portugal (15.9%), while the lowest were found in Austria (4.3%), Luxembourg (5.1%), and 5.3% in Netherlands (Zaharia & Bălăcescu, 2013).

Among the countries considered and whose developments of unemployment rates are shown in Figure 6, in 2000 the unemployment rates ranged between a minimum of 3.5% in the Netherlands and a maximum of 20.0% in Poland, the EU average being 9.0%. The interval, between the lowest and the highest value was by 16.5 percentage points.

Period prior to the economic crisis, a period of growth, was characterized by significant convergence. Thus, in 2008, the lowest unemployment rate was recorded in the Netherlands (3.1%) and the highest in Slovakia (9.6%), the gap narrowing to 6.5 percentage points (2.54 times lower than 20002).

The outbreak, in 2009, of the economic crisis has led to an explosion in unemployment rates in most analyzed countries. In 2012, unemployment rates values ranged between a minimum of 5.3% in the Netherlands and a maximum of 15.9% in Croatia, the gap being 10.6 percentage points. A special case is recorded by Germany where unemployment fell during the crisis from 7.8% in 2009 to 5.5% in 2012.

In Romania, the unemployment rate has remained approximate constant at a relatively low level in the course of the recession, rising from 5.8% in 2008, to 7.0% in 2012, maximum value of 8.0% being registered in 2004, followed by a significant decrease until 2008, when it reaches the 5.8% (the lowest value recorded in Romania in the period).

5. Unemployment evolution in territorial profile

In terms of unemployment rate has registered important differences-between the regions of Romania. The values of the unemployment rate in the regions, and the age groups, registered in 2012 is shown in Figure 7. For population of 20 years and over, the unemployment rate values range from a minimum of 4.4% in the West region and a maximum of 10.5% in the South-East Oltenia region.

Values of the unemployment rates below average, in 2012, in Romania (7.0%), there were also in the North West (4.6%), North-East (5.2%) and Bucharest - Ilfov (6.6%). Above average, alongside the South East region, is recorded in the Centre (9.5%), South Muntenia (10.0%) and South West (8.5%).

Unemployment rates by age and NUTS 2 regions (%) - 2012 year

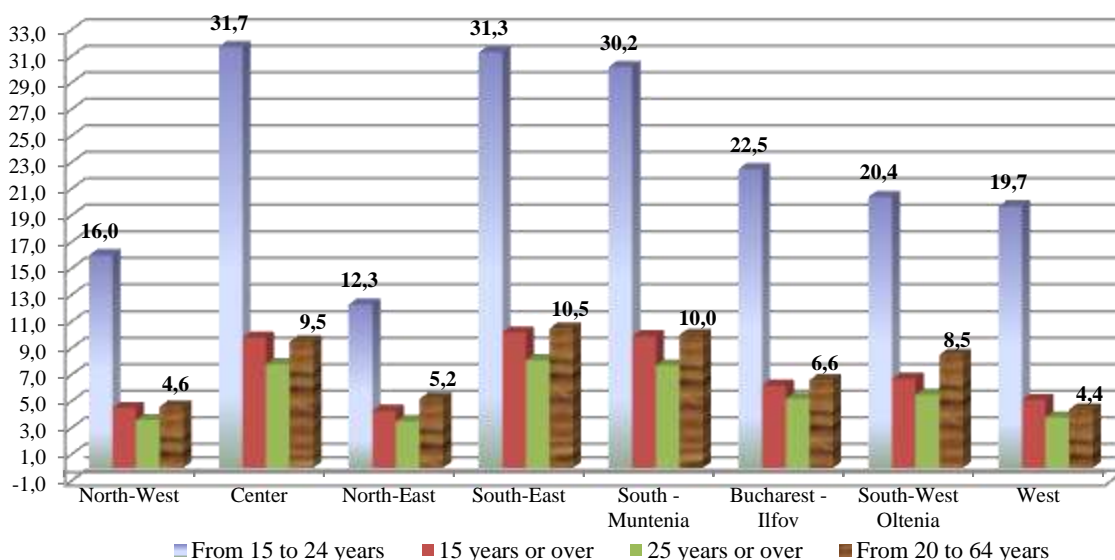


Figure 7 –Unemployment rate evolution in 2012 by age and NUTS 2 regions (%)

In the case of the age group 15-24 years, the values of the unemployment rate fell from 12.3% in the North-East and 31.7% in the Central region. Very high unemployment rates were recorded also in the South East (31.3%), South - Muntenia (30.2%), Bucharest - Ilfov (22.5%) and South - West Oltenia (20.4%).

The distribution of unemployment rate by age group shows us that the most affected category is that of the young people (15-24 years), and the unemployment rates values are quite alarming (Center: 31.7%). The main causes that have led to this situation are (Zaharia & Bălăcescu, 2013):

- the quit rate of the educational system early by young people aged 18-24 years (the proportion of the population 18-24 years old with low levels of education, which does not follow any form of training, for a total population of 18-24 years) was in the year 2012 by 17.4%);
- the rate of young who are not busy, who do not follow any form of education or training (the proportion of young people aged 15-34 year olds who were not any form of training or working in the total of young people aged 15-34 years old was in the year 2012 of 19.7%);
- low correlation between school and the labour market.

Analyzing statistical data it can be seen that the unemployment rate among this category of the population is nearly four times higher compared to unemployment among the population 20-64 years old.

6. Conclusions

The economic crisis has also different influences on employment rates macro. If in Macro 1, 3 and 4 have been recorded decreases in the employment rate, the most significant by the 2.7 percentage points being recorded in Macro 3, in Macro 2, the employment rates increased from 58.2% in 2008 to 59.4% in 2011. The year 2012 brings increases in the employment rate in all four macro. Note that, while at the EU level the employment rates have remained at the same value, the increase registered in Romania was, with values between 0.6 percentage points in Macro 4 and 2.0 percentage points in Macro 1, at the level of Rumania the increase being 1.0 percentage points.

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In our country, despite the fall in employment of the labour force, the unemployment rate has remained at a constant relatively low level in the course of the recession, rising from 5.8% in 2008 from 7.0 percent in 2012.

The distribution of unemployment by age group shows that most affected category is that of the young people (15-24 years), and the unemployment rates are quite disturbing in Romania.

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