

## SUSTAINABLE DEVELOPMENT OF THE LABOR MARKET IN SOUTH-WEST OLTENIA IN THE CURRENT ECONOMIC CIRCUMSTANCES

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### **Abstract**

*This article introduces the concept of sustainable development of the labor market at a regional level. For this analysis we chose the Development Region of South West Oltenia, based on the terms of future considerations regarding Romania's territorial reorganization. To this extent, we chose to outline, taking into consideration the macroeconomic indicators pertaining to the region chosen for study, the prerequisites for a development based on sound economic principles of the labor market. Sustainable development involves combining all factors of impact for better resource management in the case of labor, which must take into account the cyclical implications of the Romanian economy.*

**Key words:** sustainable development, labor force, unemployment, environment

**JEL Classification:** E22, E25

### **1. Introduction**

Nowadays, the economic reality must take into account both economic and social factors, on one hand, and the environment, on the other hand, as a way to protect primary resources that, according to the specialists, are dwindling rapidly [1]. This development can be stopped only through an increase in the knowledge of the labor factor [2] and by promoting this factor to future generations within a concept frame that combines the production factors with the technical-economic progress.

As such, the labor factor is facing changes in the area of job orientation, from production to services, with consequences that arise as a result of this process.

### **2. The concept frame of the labor market development, as part of the sustainable development**

The concept of sustainable development has been created over several decades, emerging during various international scientific debates and has gained political attributed in the context of globalization.

In the current state of affairs of the world economic system and its members, the relationship between the economic and social evolution of member states has been made apparent and the consequences of these interactions cannot be separated from the consequences of the interference of human activity on the natural factor [3].

Therefore, a first attempt to improve the rapport between the economic evolution and the environment was made in 1972 when the Roma Club Report was published, containing a synthesis of the data pertaining to the evolution of 5 parameters:

- Population growth;
- Impact of industrialization;
- Effects of pollution;
- Food production;
- The wasting tendency of natural resources.

Consequently, this Report reached the conclusion that the development model of those times could not lead to a long term sustainable development.

Therefore, sustainable development is built on the premises that the human civilization is a subsystem of the ecosphere, that it depends on the matter and energy fluxes, on the stability and ability of the exosphere to self-regulate in order to maintain a rational, long term balance between economic development and the integrity of the environment, while factoring in the active involvement of the human component which has as a result the implementation of a new development paradigm by merging economic, social and environmental factors at a national and regional level (Istudor, 2006).

Based on the above mentioned principles, the employment policy must cover vast areas that are tightly connected to other fields, such as: work and work conditions legislation, gender equality at the workplace, social security, job security, elimination of social exclusion and the fight against discrimination, creating a system of social dialogue that would function at company level, branch level, national and communitarian level, and that would ensure the participation of the social partners in making important economic and social decisions.

Starting with this structured base of the labor force, each region and subregion must channel efforts into the better use of all production capacities by increasing employment levels and providing sustainable job reorientation – from the area of production to that of services, which has increased progressively over the last few years.

Taking all this into consideration and factoring in the various definitions of a sustainable development, which involves an adequate use of the human, material and environmental component, we can deduce that the sustainable development of the labor force must entail [4]:

- Constant economic growth;
- Better care for the environment;
- Improving standards of living for members of human communities;
- A higher level of employment, which, in turn, entails eliminating social inequities and the eradication of poverty;
- Better management of resources – mostly of the non-regenerative and in danger of exhausting ones – and finding replacement alternatives;
- Ensuring chance equality between generations.

### 3. The current situation of the economic and social development and the labor force in the South West Oltenia Region

Taking into consideration the theoretical background so far presented, we will try to provide a succinct analysis of the main indicators for economic and social development in the South West Oltenia Region.

The greatest natural resource of this Region is the terrain, with its three main components: soil, water, underground. The population is relatively dense and educated.

Consequently, the South West Oltenia Region can be considered relatively more abundant in terrain than in human or capital resources. Of the total surface of the region of 2921 thousand hectares more than 50% is represented by infields.

Underground resources are rich in coal, petrol, natural gas, metallic and non-metallic minerals, salt, thermal waters and minerals.

The brown coal reserves are weighed at 1045 mil tons, 890 of which are located in leasehold areas, in 1-8 exploitable layers, which makes for optimal conditions of harnessing. Due to transport cost issues, this resource is used to produce electrical and thermal energy in nearby areas.

In these conditions, the main indicator that best describes the level of development of an economy or developing area, in a specific amount of time, is the Gross Domestic Product (the GDP) [4].

In order to analyze the economic evolution of this area, we have presented the evolution of the GDP in the main categories that form it: industry, agriculture, construction and services, between 2008 and 2012 (Table no. 1).

Table no. 1 - **The structure of the GDP in resource categories on the South West Oltenia Region - % from GDP**

	2008	2010	2012
Industry	28.3	23.9	25.7
Agriculture	6.7	7.2	7.5
Construction	11.8	12.8	12.3
Services	44.6	47.1	45.2
Other (tax)	8.6	9.0	9.3

*Source: The National Institute of Statistics and the Dolj Regional Direction of Statistic*

As shown above, the heftiest contribution to the GDP is represented by the service sector with about 45%, remotely followed by the industrial sector (cca. 25%) and the other economic branches, as the labor force is centered on a single branch that brings satisfactory earnings. Moreover, in the region, the emphasis on services is determined by commerce and transport, whereas health services and social security have registered a fluctuating evolution.

Low levels of the GDP in the region are a result of the predominance of the rural environment.

In 2011, for example, the region had a population of 2,238,643 inhabitants (10.67% of the country's total population), with a density below the national average (76.6 inhabitants/km<sup>2</sup> as opposed to 90.9 inhabitants/km<sup>2</sup>).

At the level of the South West Oltenia Region, the evolution of the population has registered a downturn trend, as noted by the census of January 2002<sup>1</sup>, and in the year 2012, the population dropped by cca 102,304 people.

On average, the distribution of the population in 2012 has shown a predominance of the rural population of cca. 54.2% as opposed to the urban population of cca. 45.8%. At a national level, on average, the urban population percentage equals 54.9% as opposed to the rural population of 45.1% (Table no. 2).

Table no. 2 - **Average percentage of population in the South West Oltenia region and other counties on July, 1, 2012 (%)**

	<b>Urban</b>	<b>Rural</b>
Romania	54.9	45.1
South West Oltenia Region	45.8	54.2
Dolj	53.1	46.9
Gorj	46.3	53.7
Mehedinți	47.9	52.1
Olt	39.6	60.4
Vâlcea	44.8	55.2

*Source: The National Institute of Statistics and the Dolj Regional Direction of Statistic*

With the exception of Dolj county, all counties register a higher percentage of the rural population as opposed to the urban population. The counties with the highest percentage of rural population are Olt (60.4%), Vâlcea (55.2%) and Gorj (53.7%) in 2012.

The shutting down of unprofitable companies and mining facilities has increased levels of unemployment, which has had significant social and economic consequences in the respective areas. Moreover, lack of jobs in urban areas and the increase of maintenance costs for houses has determined the migration of unemployed population to the rural areas, where a below the level type of agriculture is predominant.

As far as jobs are concerned, in 2012, the South West Region owned 10% of the national labor resources (Table no. 3).

Table no. 3 - **Employed population in counties of the South West Region between 2008 and 2012 – thousands of people –**

	<b>2008</b>	<b>2010</b>	<b>2012</b>
Dolj	289.1	294.9	293.5
Gorj	152.8	153.3	153.9
Mehedinți	124.7	125.1	125.5
Olt	176.9	177.3	177.9
Vâlcea	180.3	180.8	181.1
Total	923.8	931.4	931.9

*Source: The National Institute of Statistics and the Dolj Regional Direction of Statistic*

The South West Region was, employed population wise, on the second to last position before the West Region.

Therefore, the labor market at a regional level reflects trends at a national level.

For the main economic sectors, the highest percentiles of the employed population are concentrated in: agriculture – 50.7% in 2008 to 48.9% in 2012 and industry – 27.19% in 2008 to 27.3% in 2012 (Table no. 4).

County wise, the highest percentiles of the employed population in agriculture are in Olt (48.8% from the total of the employed population) and Mehedinți (47.5%), and the services sector is more developed in Vâlcea (42.4% from the total of the employed population) and Dolj (38.6%) (Table no. 4).

Table no. 4 - **Employed population in the main economic sectors in the South West Oltenia Region – thousands of people –**

	<b>2008</b>	<b>2010</b>	<b>2012</b>
Agriculture	326.3	327.3	322.7
Industry	180.2	184.9	179.9
Construction	44.5	53.4	61.7
Commerce	91.7	97.1	94.6

*Source: The National Institute of Statistics and the Dolj Regional Direction of Statistic*

<sup>1</sup> Data from the 2002 census of population and housing have been used as the census data of 2011 have yet to be published.

As for the rate of unemployment in the region, it fluctuates around 7.3%-7.6% which represents a higher value than the national average (5.59% at the end of 2012). The most affected counties are: Dolj (9.68%), Mehedinți (9.54%) which has a higher rate than the regional one (8.9%), followed by Olt (8.01%) and Gorj (7.78%), and Vâlcea (5.4%) registered a lower than the regional and national unemployment averages.

The lack of proper jobs has determined people to go abroad in search of unqualified work. If, in the first years after 1989, most of the people going abroad for work were heading to Serbia, after the recent crisis, people looking for jobs abroad turned to Spain and Italy. From this point of view, as far as external migration is concerned, the South West Oltenia Region presented a low level of migration, but the situation could change, on account of the tardiness of economic measures designed to reshape the area.

At a national level, the highest unemployment rates are registered in the South West Region – 8.9% and South Muntenia – 7.1%.

From the point of view of the quality of education and reforms in this area, in the South West Oltenia region such aspects are affected by the insufficient infrastructure, old equipments and lack of motivation among staff, given the precarious situation of the population.

As these realities show, school abandonment is viciously present the number of the in-school population is dropping, which in the medium and long run will affect the professional quality of the labor force.

#### 4. Conclusions

A sustainable development of a country or region entails a merging of all the factors that contribute to a constant economic growth, backed by the improvement of living conditions and by the process of fair distribution resources among generations.

In other words, a sustainable development cannot be enforced if the level of employment of the human component and the quality of its work do not back it up. If we are to have sustainable development, the consolidation of the labor market and keeping it in sync with the requirements of the economic growth must be taken into consideration.

In order for this region to harmoniously combine the principle of sustainable development with that of the sustainable development of the labor market, the following economic and administrative measures must be applied:

- The reduction of the inequities between the counties of the region, by identifying the possibilities of reindustrialization of the mainly agricultural counties;
- Improving the school infrastructure should be paramount to maintaining a high professional quality of the future employees;
- Restructuring the industry of the area should take into consideration the specific of every economic branch and area, in order to reconcile the needs of the present generation with those of the future one;
- Finding and implementing a new industrial branch that takes into consideration the protection of the environment, from an ecological point of view;
- Increasing the qualifications of the labor force by increasing the attendance in training and retraining courses for jobs that are highly sought after on the market.

Only by maintaining a concentrated effort in implementing the labor reform, can this region become a model of regional development.

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