# UNEMPLOYMENT IN ROMANIA DURING THE CURRENT ECONOMIC-FINANCIAL CRISIS

## TERRITORIAL PARTICULARITIES

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**Abstract**

This comparative analysis of unemployment (December 2008 – December 2009) during the current economic-financial crisis is based on county disparities (NUTS III) revealed by several statistical indicators, such as the general unemployment rate, number of the unemployed, the male/female ratio per total unemployed population, the ratio of unpaid unemployed versus the total unemployed population; the ratio of the private sector unemployed versus the unemployed total. The values of the statistical variables registered at the end of 2009 and their territorial distribution are similar to those recorded over 2002 – 2003 interval. The growth rate of unemployment and the number of unemployed tends to come close to the situation existing at the end of the 1990s.

**Key-words:** unemployment, economic-financial crisis, territorial particularities.

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The causes that lie behind the current economic and financial crisis are many and complex both at macro- and micro-economic levels. Their analytical classification points out structural factors (paving the way for a general crisis) and cyclic factors (contributing to controlling it). The current world economic recession began in the United States of America, the first signs becoming obvious in July 2007 (Dăianu, Lungu, 2008). „In Romania, the crisis began in the last trimester of 2008, but no adequate measures had previously been taken to at least attenuate its economic and moreover social effects" (Radocea, 2009).

In Romania, the world crisis set in against the background of an external deficit of 182.1% accumulated over a 15-year period. It was actually „a catastrophe with a negative impact on the economic development programmes and particularly on the growth of incomes for the present generations of employees and pensioners", and returning credits and paying back the debts "will take up much more than the national revenue for the next 10-20 years" (Fota, Băcescu, 2009).

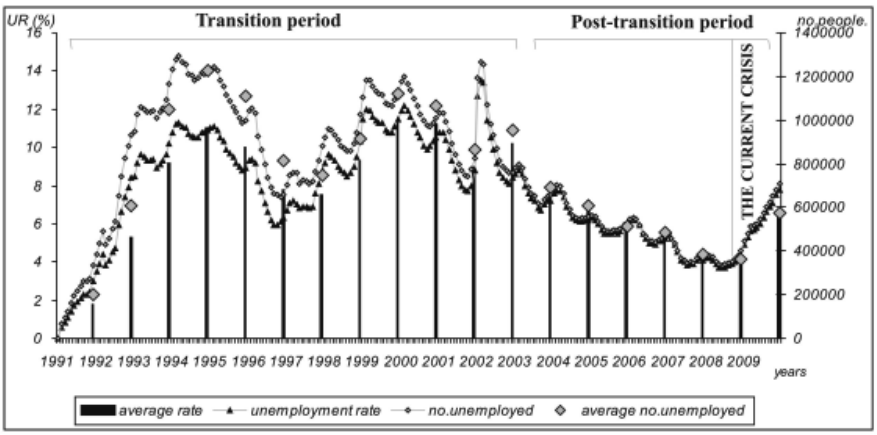
**Territorial particularities of unemployment before the current economic-financial crisis set in**

All in all, unemployment began rising between 1990 and 2003 (in 1991 the average unemployment rate in Romania was of 1.8%, the number of unemployed averaging 201,875; in 2002, the values were 10.2% and 954,546, respectively). What had caused that situation was the cumulated effects of several factors, outstanding among them being the political framework within which the programmes of national economic restructuring were being implemented; some of these programmes proving inconsistent in terms of prioritising action directions; the dominant passive policies of social protection for the unemployed; the pressure put on the labour offer by the generations born in the late 1960s and the early 1970s.

Beginning with the first part of the 2000 – 2010 decade, unemployment trends to decrease (in 2003 the average unemployment rate in Romania was 7.6%, and the average number of unemployed 689,531; in 2008, values had dropped to 4% and 362,429, respectively). But, according to specialists, the decrease was too swift to be sustained by investments and implicitly the creation of jobs (Fig. 1).

As a matter of fact, this low unemployment value is not the result of economic growth alone, but also of other factors (not taken into consideration by official unemployment rate assessments) e.g. the workforce employed abroad (1.5 – 2 mill. people); people farming for subsistence, with no workplace and no secure income, with a precarious economic and social position, given that European integration means to drastically curtail jobs in agriculture; the workforce of inefficient economic units would be made redundant had subventions been cut off; retirements before age-limit did indeed bring down pressure in the job market, but increased the economic dependence of pensioners on working segment (Mocanu, 2009).

**The monthly evolution of the general unemployment rate and of the unemployed population**




(Source: www.anofm.ro)

Until 2003, the overall unemployment rate and the number of jobless people had registered a sinuous evolution, but the trend was undoubtedly a growing one. However, disparities among counties did exist. From the very first year when unemployment in Romania was officially acknowledged, it was clear that significant differences between the east and the west of the country did exist. Even though the situation was quite general, yet disparities in the number and structure of labour, between Romania' western and eastern areas showed up, regional economic imbalances having a direct impact on the intra-regional economic performance. As time went on and various stages of transition were underway, the north-east traditional by high-unemployment area was being joined by central and south-western counties that found themselves in the same plight (Mocanu, 2008).

The year 2003 marked the end of surging unemployment, a period of decrease setting in (from a rate of 6.2% and 607,192 unemployed in 2004 to 4.2% and 386,667, respectively in 2007). Until the current economic-financial crisis hit Romania, high unemployment areas had been the north-east, south-east and south-west.

In 2007, the territorial distribution of the above two indicators showed a group of counties from the western and central parts, that boasted the lowest values (1.5% - 3.9% and 10,000, respectively in each county). Elsewhere in Romania, values came close to the average country ones (a general unemployment rate of 4.3% in 2007) or by 1-2% above it, an exception making the counties of Vaslui (9.6%) and Mehedinți (8.1%).

But for all the lower values registered in the mid-2000 decade, there still were 28 counties in which the unemployment rate stood above country average, maximum values being twice higher than the average. In 2007, the number of counties in this situation dropped to 24, in 2008 to 23 (the country rate being 4.4%) and only in 5 counties (Vaslui, Mehedinți, Teleorman, Dolj, Gorj) that rate was twice higher.

As from 2006, because ever more people began migrating abroad in search for work, the country was faced somehow with labour shortage.

And, in the context of this contradictory labour-market situation in which over 50% of Romania's counties had an unemployment record above country average and simultaneously there was labour shortage, the current economic-financial crisis struck at the end of 2008.

**A geographical outline of unemployment during the current economic-financial crisis**

The proportion of jobless people (43%) was surpassed only in December 1991 –December 1992 (63.6%). In December 2008, the average number of unemployed/county was of 9,605, only to reach 16,900 one year later. The increase averaged 7,284 people/county, at distinct rates in the territory. In terms of absolute figures, the growth values of the unemployed population were in excess of the country average in nearly 50% of the counties (among which Timiş, Arad, Bihor and Bucharest Municipality), with peak values in Prahova (16,200 people), Argeş (12,100 people), Cluj (11,700 people), Braşov and Constanța. At the bottom of the hierarchy stood Ilfov (1,801 people), Giurgiu (2,500 people), Covasna, Tulcea and Călăraşi.

As the number of jobless people kept rising, the unemployed population size-classes and their territorial distribution would also change. Beside the 5 classes extent in September 2008, another class including over 30,001 people, was added in December 2009. The classes with 20,001 – 30,000 and over 30,001, as well as 10,001 – 20,000 unemployed included ever more numerous counties (Table 1).

**Distribution of the unemployed population at county-level by size-classes**

**Tabel 1**

| Period | No. of counties with under 10,000 unemployed | No. of counties with 10001 - 20000 unemployed | No. of counties with 20,000 – 30,000 and over 30,001 unemployed |
|---|---|---|---|
| Sept. 2008 | 28 | 13 | 1 (Dolj) |
| Dec. 2008 | 24 | 17 | 1 (Dolj,) |
| Mar. 2009 | 16 | 25 | 1 (Dolj) |
| June 2009 | 12 | 26 | 4 (Dolj, Bacău, Galaţi and Iaşi) |
| Sept. 2009 | 10 | 24 | 8 (Dolj, Alba, Vâlcea, Argeş, Prahova, Galaţi, Iaşi and Bucharest) |
| Dec. 2009 | 4 | 24 | 14 (Dolj, Hunedoara, Alba, Cluj, Argeş, Vâlcea, Prahova, Brăila, Galaţi, Constanţa, Bacău, Iaşi, Suceava and Bucharest) |

(Source: monthly data processed from www.anofm.ro)

**Structural changes in the unemployed population:**

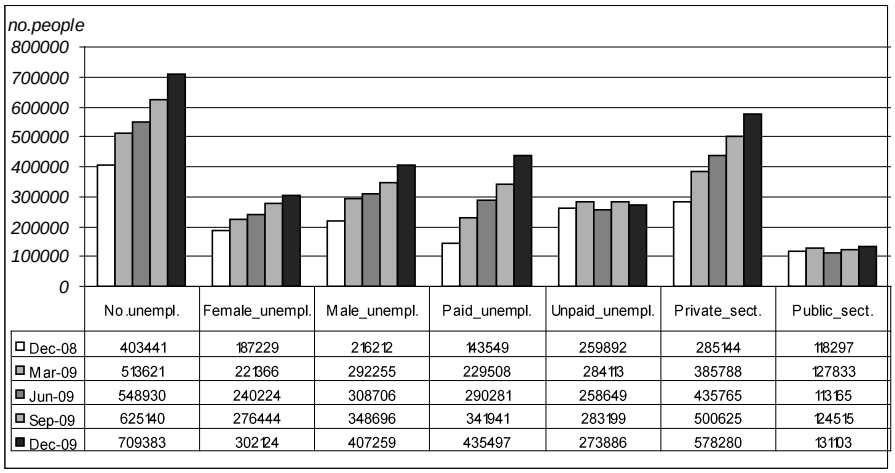
- The total male-to-female unemployed ratio was 47% to 38%. At county level, the male segment represented 55-60% of the overall unemployed, with values rising to 60-75% in some counties (Olt, Teleorman, Giurgiu, Iaşi and Vaslui). This situation reflected the fact that men were active in other sectors than agriculture, sectors hit by the crisis, while most women were engaged mainly in farming (a sector in which the labour force was less affected by recession).

- Until 2001, the balance between paid and unpaid unemployed population and those not benefiting from it tipped in favour of the first category, subsequently the course changing, the latter category steadily gaining ground: 54.8% in 2002 and 64.4% at the end of 2008. But the crisis reversed the situation to the effect of having fewer unpaid unemployed (from 64.5% to 38.7%) between December 2008 and December 2009. At county level, percentages dropped to 50 and 30, particularly in Alba, Bistriţa-Năsăud and Prahova, where more unemployed people, who had not received any lay-off compensations, would list with labour employment agencies. In some 50% of Romania's counties, the number of people who had no unemployment benefits was on the increase. The unemployment term of those unpaid unemployed people kept lengthening, unemployment affecting also the workforce which, until recession began had been spared.

- It was the people working in the private sector rather than the public sector employees who were harder hit by the crisis, lay offs approaching 50.6% versus 9.7%, respectively. In the counties from the west and central

parts of Romania (Satu Mare, Arad and Hunedoara), south-west and south (Olt, Vâlcea and Giurgiu), east and south-east (Iaşi, Suceava, Constanţa and Buzău), only 11% - 1% private sector employees lost their jobs; at the other end of the spectrum stood Bucharest Municipality and Maramureş County. Elsewhere values ranged between 11% and 51%.

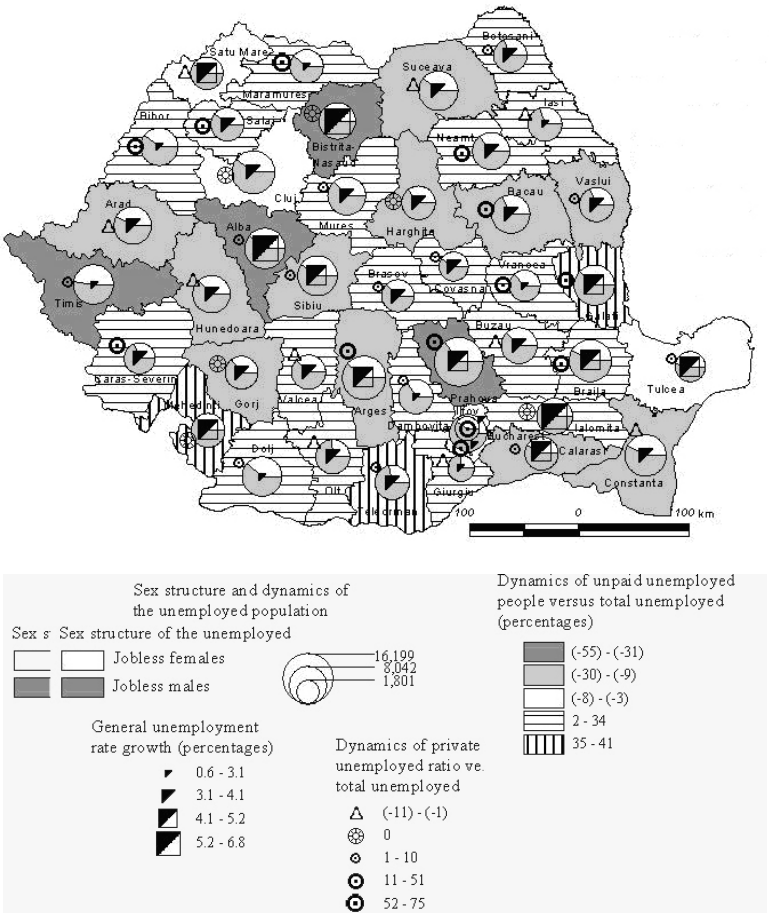
**Structural types of the unemployed population over December 2008 – December 2209. Dynamics**




| | No.unempl. | Female_unempl. | Male_unempl. | Paid_unempl. | Unpaid_unempl. | Private_sect. | Public_sect. |
|---|---|---|---|---|---|---|---|
| Dec-08 | 403441 | 187229 | 216212 | 143549 | 259892 | 285144 | 118297 |
| Mar-09 | 513621 | 221366 | 292255 | 229508 | 284113 | 385788 | 127833 |
| Jun-09 | 548930 | 240224 | 308706 | 290281 | 258649 | 435765 | 113165 |
| Sep-09 | 625140 | 276444 | 348696 | 341941 | 283199 | 500625 | 124515 |
| Dec-09 | 709383 | 302124 | 407259 | 435497 | 273886 | 578280 | 131103 |

(Sursa: www.anofm.ro)

**Unemployment dynamics over December 2008 – December 2009**




The general unemployment rate rise from 4.4% in December 2008 to 6% in June 2009, and 7.8% in December 2009. The most significant growth being recorded in Ialomița (6.8 percentage points), Bistrița-Năsăud (5.7 pp), Alba (5.6 pp), Prahova (5.2 pp) and Sibiu; the lowest score had Iaşi (2 pp), Ilfov (1 pp) and Bucharest (0.6 pp).

## Conclusions

One of the effects of the current economic-financial crisis is the rise of unemployment throughout the country. This situation is found both in the western counties (where until recession general unemployment rate and the

number of the unemployed population were the lowest, the area claiming even a labour shortage) and also in the eastern, north-eastern and south-eastern ones (traditional high-unemployment areas).

The crisis revealed the fragility of some industrial (sub)branches known for almost explosive development prior to recession (e.g. car parts, garments, etc.), which in the new global conditions had to restructure or slow down their activities. In the counties that had a high unemployment rate even before the crisis, imbalances in the regional or local labour markets became more acute.

At the end of 2009, unemployment levels matched the general situation of 2002 – 2003, a period that had preceded the national economic surge. December 2009: general unemployment rate 7.8%, number of unemployed 709,383; December 2003: 7.4%, December 2002: more than 700,000 jobless people. The unemployment growth trend is illustrated by the two statistical variables (general unemployment rate and number of unemployed) and by the proximity of values to the beginning of the 2000 – 2010 decade or even to the late 1990s (without any difference between the January 2010 values of 8.1% unemployment rate and 741,000 unemployed and those registered at the end of 1997). This evolution is highlighted also by the location of high and low unemployment areas in the territory. One finds similarities between the situation in 2002 – 2003 (more jobless people in the counties of the North-East Region, together with Hunedoara, Cluj, Braşov, Alba, Vâlcea and Prahova, and fewer ones in the western counties and Bucharest Municipality) and in late 2009 (more unemployed than the country average in Hunedoara, Cluj, Alba, Vâlcea and Prahova)

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