
UNEMPLOYMENT - A REAL DANGER TO MACROECONOMIC STABILITY

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Abstract

Unemployment is the category of people who have lost their job, who have been made redundant as a result of restructuring of companies or who, after completing their studies, end up not finding a job for work.

Unemployment, in a direct form, is an alarming element in the sense that the construction of the consolidated budget must also take into account the unemployment fund, the need to increase this unemployment fund and many others that create great difficulties for a government to succeed to ensure acceptable conditions.

Unemployment in its form as an absolute indicator is not worrying. But if we take into account the unemployed population, which works abroad, to a few million people, the unemployed population still existing in the country or the people made redundant in search of jobs, it really becomes a major problem.

From a methodological point of view, the unemployment rate is determined on the basis of the household labour force survey as the primary source of reference data. Of course, there are these records that lead to the calculation of relevant indicators which then, compared to the level of growth, ensure a correct interpretation of the existing situation.

This analysis, by using statistical-econometric methods and models on the basis of which to calculate the parameters, aims to provide an estimate of the trend of this scourge called unemployment. Of course, the interpretation must be made in the context of the current pandemic and economic and financial crisis which has the direct effect of increasing the number of unemployed in our country.

Keywords: *unemployment, employed and unemployed population, labour force, crises.*

JEL classification: *C10, E20*

Introduction

In this article we started from the study of an extensive database that refers to the existing situation in Romania and its evolution along the way. In this regard, we took one by one the existing situation, the unemployment rate, the level reached in July 2021, compared to other previous data, from 2018 to 2021, revealing a significant increase, especially during this health and economic-financial crisis.

Through graphical representations and structured tables we managed to highlight the unemployment rate, which represents the share of the unemployed in the active population. The study was performed by age groups, sexes and means.

For an easy interpretation and understanding of the content of the article, we used graphical representations and presentation of structured data over certain periods of time. At the same time, we conducted a broader analysis, from 2004 to 2021, highlighting in principle the decrease in the number of unemployed and the unemployment rate until 2020 when it began to increase. Of course, in parallel we also represented the trend of the evolution of this series represented in raw data or in seasonally adjusted data.

The proposed objective is to show that if macro-stability is not ensured, rising unemployment becomes indelible in the sense that jobs are becoming fewer, micro-companies have frozen, have not evolved and, in this way, there are a number of shortcomings that ultimately affect the standard of living not only of the unemployed but also of the population as a whole, through that of non-essential growth or lack of economic growth.

Literature review

A number of researchers are concerned with the analysis of unemployment and employment. Thus, Anghel, M.G., Iacob Ș.V, Radu I. (2021), analyse in their paper the occupation of the Romanian population and the perspectives. Couch, Reznik, Tamborini Iams (2013) analysed the consequences of long-term unemployment. Kroft and Notowidigdo (2016), as well as Krueger and Mueller (2010) presented significant elements related to unemployment insurance. Iacob, Ș.V., Radu I. (2021) addresses issues related to the evolution of the employment and underemployment rate in Romania. Moscarini and Postei Vinay (2012) studied how employers, depending on their size, contribute to job creation during periods of unemployment. Nekoei and Weber (2017) sought to identify how job quality is improved by extending unemployment benefits.

Methodology

In order to facilitate the understanding of the analysis made in this article, we will present the main methodological aspects used by the National Institute of Statistics. Thus, the source of the data is the Statistical Survey on the Labour Force in Households (AMIGO) which is carried out quarterly, in accordance with Council and European Parliament Regulation No. 577/1998 on the organization of a selective statistical survey on the labour force in the European Community.

According to the international definition (ILO - International Labour Office), the unemployed are people aged between 15 and 74, who simultaneously meet the following three conditions: they do not have a job, are available to start work in the next two weeks and -they have been actively looking for a job, anytime during the last four weeks.

In terms of the unemployment rate, this represents the share of the unemployed in the active population, and the active population, from an economic point of view, includes all persons who provide the labour force available for the production of goods and services during the reference period, including the employed and unemployed.

The registered unemployed are the persons in the records of the National Agency for Employment (ANOFM), who benefit from the provisions of the legislation on social protection of the unemployed.

Statistical indicators, monthly unemployment and registered unemployment are not comparable because the data sources, measurement methods, concepts, definitions and scope are different.

The applied estimation methodology is based on statistical-econometric methods that level the data series with linear tendency. Thus, the forecasted values are derived from the data provided by statistical research on labour force in households, based on smoothing coefficients, which correct the level and trend of the series in gross (unadjusted) form. The smoothing coefficients are determined by minimizing the forecast errors.

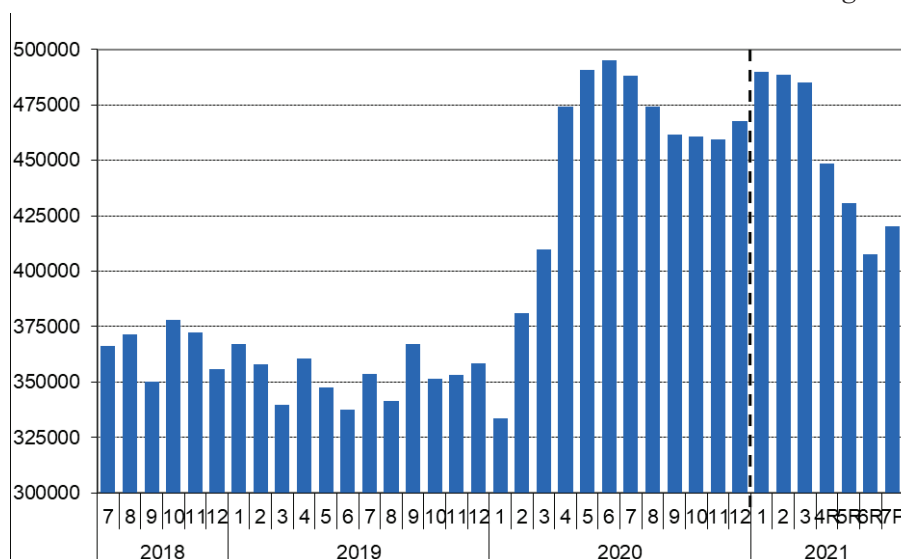
The data used are in a form adjusted by the number of working days and seasonality, thus eliminating the effect of these variations. Seasonal adjustment of the data series was done with the DEMETRA software package, using the TRAMO / SEATS method, which helps to correct the extreme values. Thus, the seasonally adjusted series were obtained by removing the seasonal component from the original series.

Data, results and discussions

The unemployment rate in July 2021 increased by 0.1% compared to that recorded in June 2021, reaching 5.1%. From the data analysis we find that the unemployment rate for men was 0.7% higher than for women. The data regarding the number of unemployed in the period July 2018 - July 2021 are presented in figure number 1.

Number of unemployed in the period July 2018 - July 2021

Figure 1



R Revised data

P Provisional data

Source: INS communiqué no. 219/01 September 2021

Analysing the data by age, we find that the estimated number of unemployed people aged 15-74 for July 2021 was 420,000 people, increasing compared to the previous month by 12,000 people.

By sex, the unemployment rate for men exceeded by 0.7% that of women, the values being 5.4% for males and 4.7% for females. The data on the evolution of the sex unemployment rate for the period July 2020 - July 2021 are structured in table number 1.

Sex unemployment rate (%)

Table 1

	2020						2021						
	Iul.	Aug.	Sept.	Oct.	Nov.	Dec.	Ian.	Feb.	Mar.	Apr.	Mai	Iun.	Iul. ^R
Total													
15-74 ani	5,5	5,3	5,2	5,1	5,1	5,2	5,9	5,9	5,8	5,5 ^R	5,3 ^R	5,0 ^R	5,1
15-24 ani	18,0	18,0	18,0	16,0	16,0	16,0	21,3	21,3	21,3	19,5	19,5	19,5	..
25-74 ani	4,6	4,4	4,3	4,3	4,3	4,4	4,8	4,8	4,7	4,4 ^R	4,2 ^R	4,1 ^R	4,1
Masculin													
15-74 ani	5,8	5,5	5,4	5,3	5,2	5,3	6,2	6,1	6,1	5,7 ^R	5,4 ^R	5,1 ^R	5,4
15-24 ani	18,5	18,5	18,5	16,6	16,6	16,6	20,7	20,7	20,7	19,5	19,5	19,5	..
25-74 ani	4,8	4,5	4,4	4,5	4,3	4,4	5,0	4,9	4,9	4,6 ^R	4,3 ^R	4,0 ^R	4,2
Feminin													
15-74 ani	5,1	5,1	4,9	4,8	5,0	5,0	5,6	5,7	5,5	5,2 ^R	5,1 ^R	4,9 ^R	4,7
15-24 ani	17,3	17,3	17,3	15,1	15,1	15,1	22,3	22,3	22,3	19,6	19,6	19,6	..
25-74 ani	4,3	4,4	4,2	4,1	4,3	4,3	4,5	4,6	4,4	4,2 ^R	4,2 ^R	4,1 ^R	4,0

R Revised data

P Provisional data

Source: INS communiqué no. 219/01 September 2021

The data on the evolution of the unemployment rate in the period between January 2004 and July 2021 are structured in table number 2.

Unemployment rate in January 2004 - July 2021 (%)

Table 2

MONTH	year 2004	year 2005	year 2006	year 2007	year 2008	year 2009	year 2010	year 2011	year 2012
January	8,9	7,8	7,0	6,5	5,6	5,8	7,2	7,1	7,1
February	7,3	7,9	7,2	6,6	5,5	6,1	7,1	6,8	6,7
March	7,7	7,9	7,0	6,5	5,6	6,0	7,4	6,7	6,9
April	8,0	7,2	7,0	6,7	5,5	6,0	6,7	7,2	6,8
May	7,6	7,4	7,0	6,5	5,7	6,2	6,8	7,1	7,0
June	7,9	7,3	6,9	6,6	5,7	6,2	6,8	7,1	6,7
July	7,9	6,7	7,5	6,4	5,5	6,7	6,9	7,2	6,9
August	8,2	6,6	7,3	6,2	5,5	6,7	7,0	7,3	6,6
September	8,0	6,5	7,6	6,2	5,5	7,0	6,7	7,4	6,9
October	7,9	6,8	7,0	6,0	5,7	7,1	6,9	7,3	6,6
November	8,0	6,8	7,1	6,0	5,5	7,1	7,1	7,5	6,5
December	8,0	6,6	7,2	6,0	5,8	7,2	6,8	7,4	6,7

MONTH	year 2013	year 2014	year 2015	year 2016	year 2017	year 2018	year 2019	year 2020	year 2021
January	6,8	6,9	7,2	6,5	5,1	4,5	4,1	3,6	5,9
February	6,9	6,9	7,0	6,2	5,2	4,4	3,9	4,2	5,9
March	7,1	6,9	6,8	6,2	5,2	4,4	3,8	4,5	5,8
April	7,5	6,9	7,0	6,0	4,8	4,3	4,0	5,3	5,5
May	7,1	6,7	6,8	6,1	5,1	4,2	3,9	5,5	5,3
June	7,7	7,0	6,8	5,9	4,9	4,1	3,7	5,6	5,0
July	6,9	6,7	6,6	5,9	4,9	4,0	4,0	5,5	5,1
August	7,0	6,9	6,9	5,7	4,9	4,1	3,8	5,3	
September	7,0	6,6	6,8	5,9	4,8	3,9	4,1	5,2	
October	7,1	6,7	6,6	5,5	4,8	4,2	3,9	5,1	
November	6,9	6,9	6,6	5,4	4,7	4,1	3,9	5,1	
December	7,1	6,5	6,6	5,4	4,6	3,9	3,9	5,2	

Source: INS communiqué no. 219/01 September 2021

For a better visualization of the evolution of the studied indicator, based on the data structured in table number 2, graph number 2 was drawn up.

Unemployment rate between January 2004 and July 2021

Chart 2



Source: INS communiqué no. 219/01 September 2021

Interpreting the evolution of unemployment rates in Romania between January 2004 and July 2021 based on tabular structured data and graphical representation, we find that the evolution is an oscillating one with maximum and minimum peaks influenced by the economic evolution of the country. Thus, we find that since 2004 the unemployment rate has decreased until 2009 when the economic and financial crisis broke out which hit the construction sector very hard and a significant number of employees lost their jobs. We also note that since 2015 the trend is downward with a minimum of 3.6% in January 2020, a turning point that marks a new period when the trend becomes a strong upward due to the pandemic crisis combined with the economic and financial crisis that we are going through it at the moment.

Conclusions

From the study of the data presented in this article and the way in which they were interpreted by the authors, a series of conclusions can be drawn, especially practical ones. Firstly, the prolongation of the health and economic and financial crisis will have the effect of increasing the number of unemployed and the unemployment rate, due to lack of investment and the possibility of creating new jobs.

In other words, this crisis, through its evolution, will lead to the disappearance of many jobs, the closure of many companies, especially in the field of micro-enterprises, even medium-sized ones, so that jobs disappear and the unemployed population and the number unemployment increases.

At the same time, it must be borne in mind that this interpretation must be made in close connection with the number of people who have not chosen the form of re-arranging their personal situation through emigration, accepting jobs far from their level of qualification, but bringing in higher incomes.

One last conclusion is that optimal conditions must be ensured for the population to find opportunities for activity and creation in Romania and to stop this immigration process.

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