

ASPECTS RELATED TO UNEMPLOYMENT IN ROMANIA

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Abstract

Unemployment is a topic of interest in all times. A prosperous economy controls as much as possible the various aspects of employment, labour, unemployment. Therefore, macroeconomic policies must also address the various aspects of unemployment, the problem that affects the welfare of the population, and therefore the national economy.

Based on these considerations, the present paper attempts to highlight certain aspects of unemployment in Romania and Caraș Severin, as well as the aspects that our country must consider in order to reach the objectives of the Europe 2020 Strategy.

Keywords: *unemployment, labour force, employment rate*

JEL: E 24, J 21, J 64

1. INTRODUCTION

Unemployment is a topical issue and the subject is on the agenda of today's economic development discussions and of broader debates; it is a subject targeted by the macroeconomic policies of any country, authors such as Bassanini and Duval (2009) highlighting the complementarity between different policies of the labour market.

Many other authors such as Minică (2005), Tănase et al. (2013), Manciu and Demyen (2016) have discussed the issue of unemployment in specialised papers, trying to identify and classify the factors that lead to this phenomenon and, at the same time, highlighting measures to combat it. Blanchet and Wolfers (2000); Bertola et al. (2007) showed that the various policy combinations generate different unemployment outcomes.

It is well known that the human resource is the most important resource of a company and therefore of a nation. Effective use of this resource leads to spectacular results from an economic point of view, and vice versa. Every country wants to have a healthy and well-trained human resource, thus creating the premises for sustainable development. It is obvious that healthy and trained workforce is one of the pillars of the economic development of any country. (Tănase et al. (2013)). The welfare of the nation depends on this important resource, namely its characteristics: age, health, training, qualification at work, etc. According to Lalé (2018), there is a link between the labour market volatility and the diversity of human resource habits. Robin (2011) also considers that the volatility of unemployment can be explained by the heterogeneous mechanism of workers.

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The concern of decision-makers to have a healthy and well-trained human resource must be a sine qua non condition of any macroeconomic policy. Ljungqvist and Sargent (1998) have highlighted the connection between long-term unemployment and welfare policies, and Prescott (2004) and Rogerson (2008) have surprised the role of taxes to be paid for the work done.

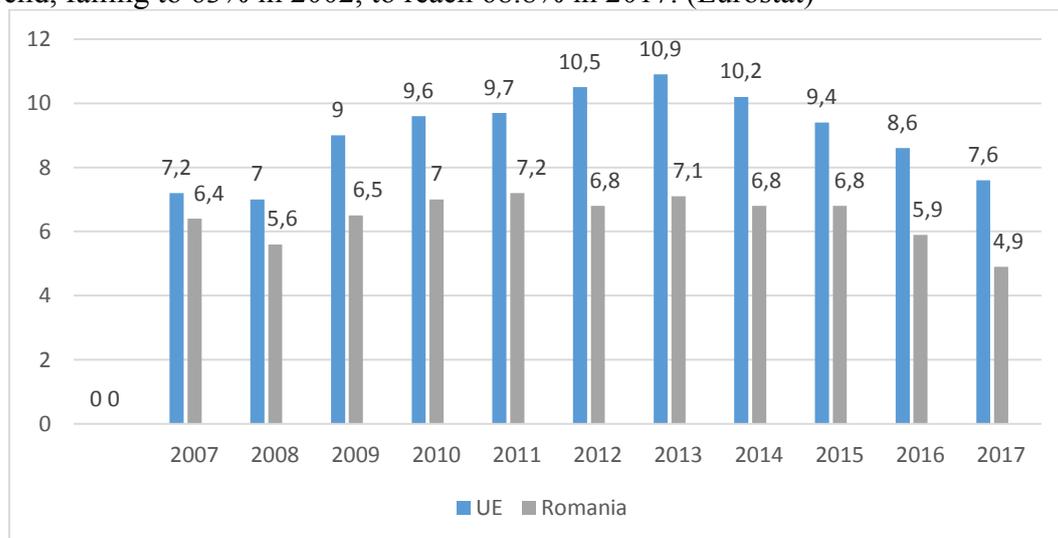
Unemployment is an economic phenomenon that arises as a result of the gap between supply and demand, having as a consequence the impossibility of finding a paid job by those who are in search of a job and are qualified for that job. According to ILO, the unemployed is any 15-74 year - old unemployed person who is available to start work in the following two weeks and has been actively in search of a job in the last four weeks.

The level of unemployment varies from one country to another, the factors influencing its rates being diverse: the level of development of the country concerned, the attractiveness of the country for investors, the degree of technology of the economy, imports, labour force training, residence environment, social protection policies, inflation etc.

According to economists, unemployment is characteristic to any economy, and they agree to its permanence. According to J.M. Keynes’s “principle of effective demand” (2009), the level of employment depends on the level of global demand for goods and services, Phillips (1958) considering that there may be a link between the unemployment rate and the rate of change in workers' wages. Furthermore, in the economic literature they have introduced the notion of natural unemployment rate, a rate that would correspond to a certain level of inflation.

2. UNEMPLOYMENT IN ROMANIA

Moving from a centralised economy to a market economy, since 1990 and up to the present our country has undergone favourable and less favourable economic times. Immediately after the 1990s, the employment rate in Romania declined considerably due to the fact that much of the industry was closed. Very many of those employed in the industry were unemployed or retired early, significantly lowering the employment rate. If by 1998 the employment rate was above 70%, it had a sinuous trend, falling to 63% in 2002, to reach 68.8% in 2017. (Eurostat)



(Source: Realised by the authors based on Eurostat data)

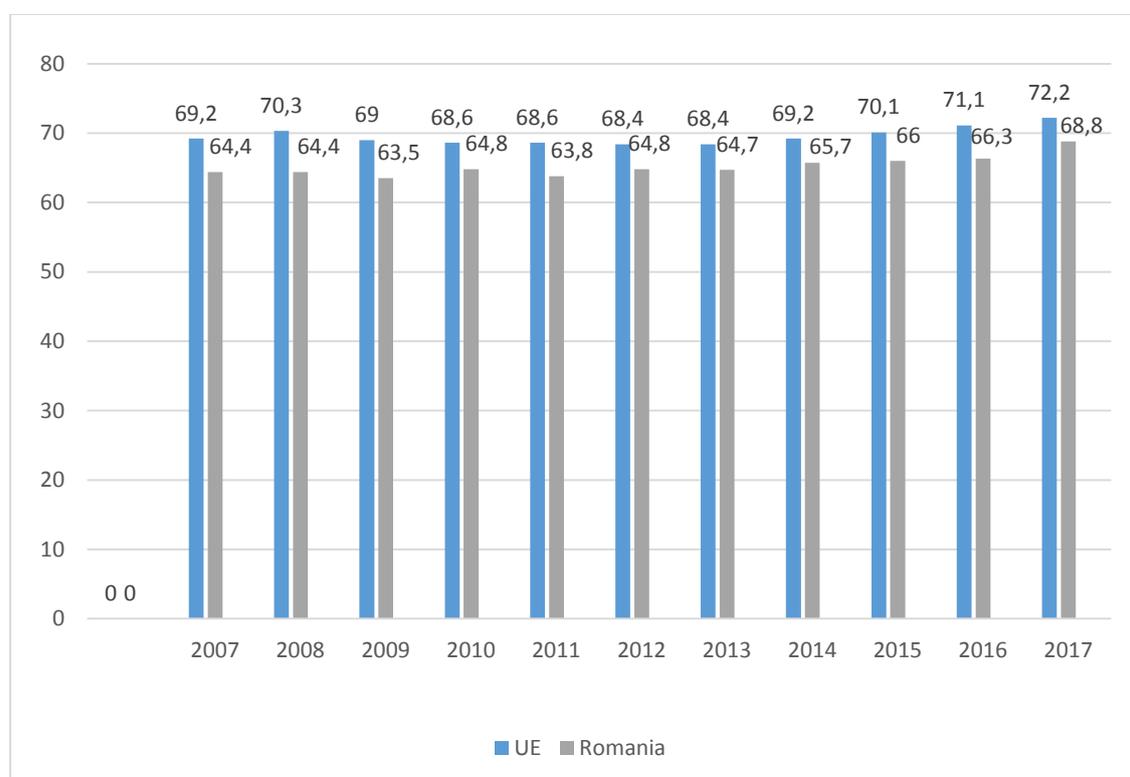
Figure 1 - Unemployment rate (%) – active population

When conducting a survey by gender, we can say that the employment rate is higher among men, increasing from 70.4% in 2005 (the lowest rate in recent years) to 77.3% in 2017. Among women, the employment rate, on the level of 2017, was 60.2%, the lowest share being recorded in 2005 also - 56.9%.

If we analyse the phenomenon on the level of the European Union, we notice that our country is well below the EU 28 average, the lowest percentages being recorded in 2008 (5.6%) and 2017 (4.9%), the trend of European dynamics (figure 1).

Within the European Union, the Member States with the highest unemployment rates are Greece, which reached a fabulous maximum in 2013 (27.5%) and 26.5% in 2014, down to 21.5% in 2017, Spain with a rate of 26.1% in 2013 and 17.2% in 2017, Portugal with 16.4% in 2013 and 9% by 2017.

At the opposite pole, the member states with the lowest unemployment rates in 2017 were Germany with 3.8%, Hungary 4.2%, UK - 4.4%, Malta 4.6%, the Netherlands and Poland 4, 9%.



(Source: Eurostat)

Figure 2 - Employment rate (%) by the 20-64 age group

As shown in Figure 2, in 2017, for the 20-64 age group, the EU has an occupancy rate of 72.2%, and our country an occupancy rate of 68.8%.

In fact, for the 2007-2017 period, the employment rate in Romania for those aged between 20 and 64 was below the European Union average. For 2020, the EU has set a target of 75% for this age group, and Romania reached the value of 70%.

Table 1 Participation of population in the labour force
(Source: INS, Employment and unemployment)

	Total	Male	Female	Urban	Rural
TOTAL	63,9	71,8	55,8	64,8	62,7
Higher education (University of short and long term, including master's, doctoral, postdoctoral and postgraduate)	87,9	89,7	86,4	88,3	85,3
Medium-term education (post-secondary specialized, high school including first and vocational, complementary or apprentices)	67,5	75,2	58,9	65,4	70,3
Lower education (gymnasium, primary and non-school)	42,5	53,8	32,1	27,3	49,9

In our country, in the 15-64 age group, we find that the employment rate is higher among men, and with regard to the residential environment the situation is better on the urban level. (table 1).

Table 2 Employment rate of the working age population by level of education, by gender and environment, in 2017 (%)

	Total	Male	Female	Urban	Rural
Active population	9120	5184	3936	4994	4126
Employed population (15-64) (thousand persons)	8671	4894	3777	4769	3902
Unemployed (thousand persons)	449	290	159	225	224
Employment rate (%) (15-64)	63.9	71.8	55.8	64.8	62.7
Unemployment rate (%)	4.9	5.6	4.0	4.5	5.4

(Source: INS, Labour force in Romania, Employment and unemployment 2017:31)

As for the relation between education and employment rate (Table 2), it can be seen that there is a direct relationship between the level of education and the employment rate. If the employment rate for people with low education levels is only 42.5%, it increases to more than double for people with higher education (87.9%). Analysing by residence environment, among the low-skilled we find a great difference between urban and rural employment rates (49.9% versus 27.3%).

According to the Inclusive Growth and Development Report 2017, one of the seven pillars of the policy framework refers to Employment and Labour Compensation, with two elements: Productive employment and wage and non-wage compensation. At the same time, this report highlights the role of education and skills in labour force training, which constitute the first pillar of the framework policy.

According to the same report, investments in the economic sectors are important employment opportunities for young people, while EU member states must ensure the creation of new jobs in knowledge-based areas with higher added value, given the increase in individuals' education quality, "expand professional training opportunities to ensure that students graduate with skills useful for the current work environment in addition to general know-how." (WEF, 2017)

Regarding the unemployment rate by age groups, genders and residence areas, we note the following:

- A higher rate of unemployment is registered among women, aged between 15 and 24,
- The lowest unemployment rate by age groups is recorded among people aged 55 and over (3.1% for men and 1.8% for women) - (justified by retirement). In the same age group, on the rural level, compared to the urban area, there is a rate of 1.8%. (figure 3)

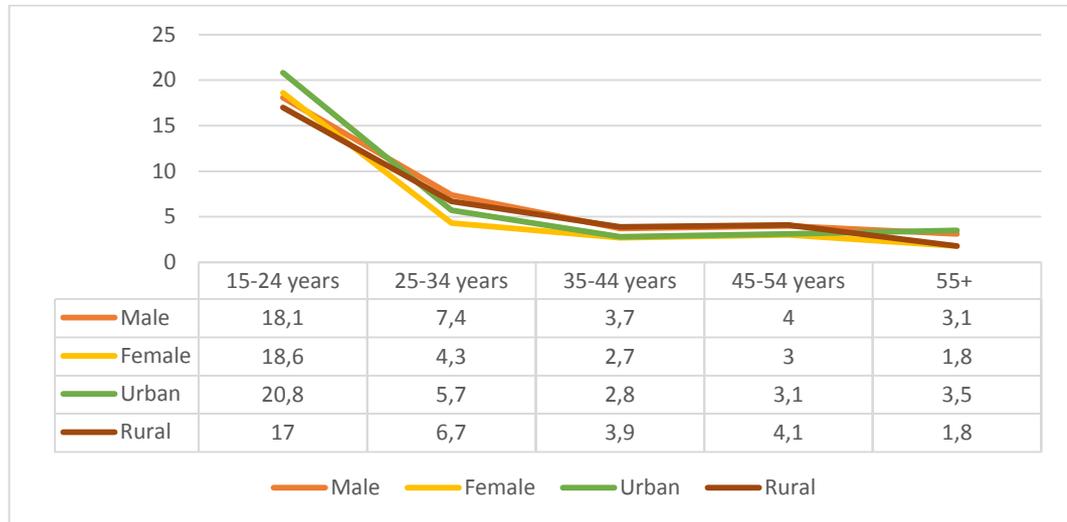


Figure 3 - Unemployment rate (%) by age groups, genders and environments
(Source: INS, Employment and unemployment, published on 18.04.2018)

Regarding the unemployment in Caraș Severin county, according to the official data from AJOFM, for 2017, the situation was the following:

- Active civilian population - 111100 persons (61700 men, 49400 women);
- Stable population aged between 18 and 62– 208327 persons, of whom 102946 women.

By ages and genders, the 2017 statistic was the following: (table 3)

Table 3 The situation of the unemployed by age groups, Caraș - Severin
thousand persons

Unemployed	Under 25	25 - 29	30 - 39	40 - 49	50 – 55	Over 55	
Total	3961	557	238	670	1152	629	715
Women	1685	211	92	291	531	298	262

(Source: AJOFM Caraș – Severin, Report of activity for 2017:9)

It can be seen that unemployment is lower among women, both per total and by age groups. Thus, for the year 2017, the unemployment among the women was 42.54% of the total unemployed registered in Caraș Severin county. In the age group of people under 25, the percentage was 37.88%, in the age group 25-29 - 38.65%, at among the persons aged between 30 and 39 - 43.43%, in the 40-49 age group 46.09%, in the 50-55 age group 47.38%, and in the group of people over 55 years of age - 36.64%.

3. CONCLUSIONS

As a result of the analyses carried out, it can be noted that Romania has a significant gap compared to EU 28, both in terms of employment rate and as regards the unemployment rate.

Taking into account the situation presented, Romania needs to align with the EU framework policies on unemployment, policies related to the national strategy of each EU member state, all in order to prepare for the reaching of the Europe 2020 strategy indicators: a strategy for smart, sustainable and inclusive growth. Our country, as well as the other EU member states, must take into account the employment policy guidelines: (Eurostat)

- Boosting demand for labour;
- Enhancing labour supply, skills and competences;
- Enhancing the functioning of labour markets;
- Fostering social inclusion, combating poverty and promoting equal opportunities.

Our country's macroeconomic policies must include amongst our priorities unemployment and employment rates, not just for aligning with the Europe 2020 strategy but also for creating welfare for its citizens.

Thus, Romania must, among other things, pursue the following aspects:

- increasing the country's attractiveness for investors by creating a stable and predictable legal framework;
- increasing the degree of technology of the economy;
- decreasing imports in favour of local products;
- training the labour force;
- enhancing social protection policies;
- attempting inflation control.

Furthermore, our country must also take into account the WEF recommendations, guidelines related to the investments that must be made in the economic sectors that generate jobs for young people and create jobs in the various areas of knowledge. These issues need to be correlated with the enhancement of the education quality, as well as skills shaping and skills training to help graduates adapt to the environment in which they will work, all meant to generate know - how. By observing these framework policies of WEF and Europe 2020, and also those that fit its specificity, Romania will succeed in having an economy able to ensure the welfare of its citizens.

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