

# The Dynamics of Unemployment in Romania during 2008-2019

Călinică Ramona Mariana

[ramona.calinica@ugal.ro](mailto:ramona.calinica@ugal.ro)

Dunarea de Jos University of Galati, Romania

Currently, any economic activity carried out in the conditions of the market economy is based, among others, on the essential factor of production, capital as well as on another important actor, namely, the labor factor that benefits through the labor market, while achieving an objective association between the two and thus constituting a subsystem of the market economy. The labor market is one of the most important components of the market economy, and unemployment is a complex phenomenon, with profound negative effects on the economic and human nature. The purpose of this article consists of an analysis of the dynamics of unemployment in Romania, achieving also a comparison of this indicator with the average recorded in the EU and the Eurozone.

Keywords: unemployment, labor market, employed population

## 1. Introduction

Given that labor is an essential factor of production, we can say that it has an influence, a decisive contribution to achieving economic growth in each state.

Another important aspect would be the one according to which the degree of integration of the labor force in the economic and social market activities, from a country with a market economy, reflects how the labor market works.

In a situation where a country's economy is stagnant and economic growth is negatively affected by various factors, unemployment can be present, sometimes registering a significant level, thus becoming a source of concern.

In Romania, Law no. 76/2002 updated in 2019, establishes that a person who is at least 16 years old, who has no income or does not earn less than unemployment benefits, is available for work and is registered to the National Employment Agency or another employment service provider.[12]

## 2. Conceptual aspects regarding unemployment and the labor market

In literature the labor market is defined as concrete or abstract space within which that communicates, negotiates, and use of labor, remuneration taking the form of wages or other revenue forms. According to another definition, the labor market represents the economic space in which labor users (holders of capital) freely trade as buyers and possessors of labor resources, as sellers, in which, through the mechanism of labor prices, free competition between economic agents, other specific mechanisms adjust labor demand and supply. [3]

In the market economy, the labor supply and demand depend on the price. Contemporary economic theory determines the wage as the price of labor, ie the price paid for the use of a unit of labor during a certain period - day, hour, etc. The analysis of the labor market, even in the current conditions, starts from the classic concept of labor use, starting from the conditions of perfect competition. [8]

The labor supply that is contracted in a job demand is delimited within the demographic potential through a series of criteria, socio-demographic conditions, options of people of legal working age, and able to work. Therefore, this indicator reflects those labor resources, that labor potential that falls into the category of supply based on the wage criterion. As well as the form of manifestation, the job offer is materialized through demand for salaried jobs, in the employment of persons as employees. [6]

On the other hand, the demand for work has as a starting point the need for labor services from those who use it in general. In this process, an important role in the transformation of labor needs in labor demand is compensation or remuneration.

When there is an imbalance between labor supply and demand, employment is affected and unemployment is generated.

Over time, unemployment has become a major concern of specialists requiring extensive research in terms of identifying its causes and defining it.

Broadly speaking, unemployment is an "imbalance that represents a surplus of supply over labor demand, with levels and meanings of evolution by parts and periods, initially temporary, and in recent decades, a permanent one, but which does not exclude and definitively the existence of full employment status".[11]

Another definition would be that unemployment reflects a state of economic inactivity, partial or total, of both those who have had a job and those who have not yet had a job, even though they are eligible, work, however, they cannot find work as employees.

As can be seen, Figure 1 shows the indicators that characterize the analysis and the level of unemployment, which are defined in the economics dictionary as follows [11]:

- *the size of unemployment* can be expressed both in absolute size reflecting the number of unemployed and in relative size when calculating the ratio between the number of unemployed and the employed population (this method of calculation is used to determine the unemployment rate);
- *the intensity of unemployment*, which reflected the degree of loss of opportunities to work;
- *the duration of unemployment* refers to the time frame between the moment of losing the job and the moment of re-employment (it is important to specify that if the duration of unemployment increases by one year, then unemployment becomes chronic);
- *the unemployment structure* is calculated according to different criteria (age, sex, qualification level, profession, etc.);

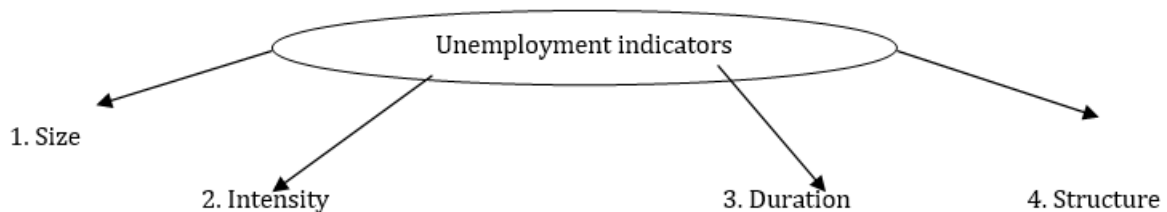


Figure 1. Indicators that characterize the analysis and the level of unemployment

Source: Dicționar de Economie (Ediția a doua), Ed. Economică, București, 2001, p. 429.

Figure 2 shows the representation of a country population's structure according to employment. Thus, the total population can be structured into two categories, namely: the active population and the inactive population. The first category includes the employed population, as well as the unemployed. The second category includes the inactive population.

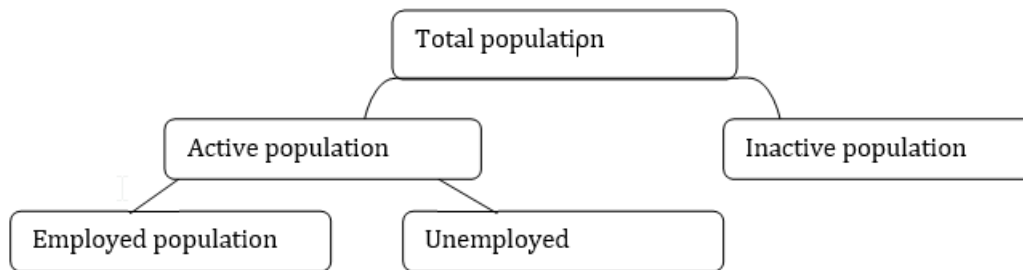


Figure 2. Population structure

Source: Burja, V., *Economie politică structuri fundamentale*, Ed. Risoprint, Cluj-Napoca, 2003, p. 236.

Regarding the unemployment causes, it can be stated that this phenomenon is influenced by the economic situation in which the people who generate labor demand and availability are found, the need for job seekers. The following can be included in the category of factors that cause and influence the forms and evolution of unemployment:

- evolution of national production;
- the economic growth level and the change of its meaning;
- restructuring of economic agents;
- domestic and international situation;
- technical-scientific progress, etc.

It is important to note that natural unemployment can be: voluntary and involuntary. John Maynard Keynes considers that voluntary unemployment is "due to the refusal or impossibility for the employer to accept a remuneration corresponding to the value of the product that can be attributed to him, refusal or impossibility based on certain legal provisions, social customs, agreements for negotiating collective agreements on the slow adaptation to change or on the simple stubbornness of one's human nature " [4].

### 3. Analysis of unemployment dynamics in Romania, the European Union and the Euro Area

The economic and financial crisis has emphasized the need to implement an advanced and powerful reform process at the European level to promote economic growth and create new jobs and lower unemployment in each Member State. The European Union has implemented the Europe 2020 strategy to promote smart, sustainable, and inclusive growth. In response to the economic crisis and to support the Europe 2020 strategy, the EU has also developed new ways of coordinating each Member State's economic and budgetary policies. [9]

In recent years, the labor market has improved and wage growth resumed gradually. Unemployment rates continue to fall, including among young people and the long-term unemployed, but remain high in some Member States and labor market participation is low, although in some cases they are on the rise. Social difficulties are declining, despite the consequences of prolonged unemployment and, in many countries, low incomes. Wage growth is gradually resuming, reflecting, in general terms, the labor market deficit and labor supply bottlenecks in some countries. [10]

Over time, unemployment in Romania has been a problem, and "the transition of the Romanian economy to capitalism was gradual, incoherent and harmful, and among the causes that determined such a hard period both for individuals and for companies." [7]

Table 1 presents the evolution of the unemployment rate in the European Union, the Euro Area, and Romania in the period 2008-2019.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
European Union - 28 countries (2013-2020)	7	8.9	9.6	9.6	10.5	10.8	10.2	9.4	8.5	7.6	6.8	6.3
Euro area - 19 countries (from 2015)	7.5	9.6	10.1	10.2	11.3	12	11.6	10.8	10	9	8.1	7.5
Romania	5.8	6.9	7	7.2	6.8	7.1	6.8	6.8	5.9	4.9	4.2	3.9

As can be seen, in Romania in the period 2009-2011 there was an increase in the unemployment rate from 5.8% to 7.2%. In the following period, until 2011 it was around 6.8%, after which there was a continuous decrease until 2019, from 6.8% to 3.9%. Regarding the European Union, unemployment registered an average of 7% in 2008 and an upward trend until 2013, when it reached the level of 10.8%, and the following period was marked by a decrease in the unemployment rate, up to the level of 6.3% registered in 2019. Regarding the Eurozone countries, it can be seen that the average unemployment rate was higher throughout the analyzed period, compared to both Romania and the average registered in the European Union, and the trend was increasing in the period 2008-2013 from of 7.5% to 11.3% and decrease in the following period, registering in 2019 a value of 7.5%.

Table 1. Total unemployment rate (percentage of active population)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
European Union - 28 countries (2013-2020)	7	8.9	9.6	9.6	10.5	10.8	10.2	9.4	8.5	7.6	6.8	6.3
Euro area - 19 countries (from 2015)	7.5	9.6	10.1	10.2	11.3	12	11.6	10.8	10	9	8.1	7.5
Romania	5.8	6.9	7	7.2	6.8	7.1	6.8	6.8	5.9	4.9	4.2	3.9

Source: Eurostat

Analyzing the unemployment rate by sex, it can be seen that in Romania, throughout the analyzed period, it was higher among men than among women. The situation was reversed compared to the average of this indicator, both in the European Union and in the Eurozone, where the average unemployment rate among women is higher than that recorded among men.

Table 2. Long-term unemployment rate by sex- Female (% of active population)

Long-term unemployment- Female	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
European Union - 27 countries (from 2020)	3.1	3.4	4	4.4	5	5.5	5.5	5	4.5	3.9	3.4	2.9
Euro area - 19 countries (from 2015)	3.3	3.6	4.3	4.7	5.3	6	6.1	5.6	5.1	4.5	4	3.5
Romania	1.8	1.8	1.9	2.6	2.7	3	2.4	2.6	2.5	1.5	1.3	1.4

Source: Eurostat

If in 2008 the unemployment rate among women was 1.8%, in 2013 it reached 3%, the highest level in the analyzed period, followed by a decrease reaching the value of 1.4% in 2019. However, it can be noted that the unemployment rate among women in Romania is lower, throughout the analyzed period than the average of this indicator in the European Union and the Eurozone.

Table 3. Long-term unemployment rate by sex- Males (% of active population)

Long-term unemployment- Males	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
European Union - 27 countries (from 2020)	2.5	2.9	4	4.3	4.9	5.4	5.4	4.9	4.3	3.7	3.1	2.6
Euro area - 19 countries (from 2015)	2.6	3.1	4.2	4.5	5.2	5.9	6	5.5	4.8	4.2	3.6	3.1
Romania	2.9	2.5	2.8	3.2	3.3	3.4	3.1	3.3	3.3	2.4	2.2	1.9

Source: Eurostat

Regarding the unemployment rate among men, it increased from 2009 to 2013, from 2.5% to 3.4%, but decreased in the period 2016-2019, to the level of 1.9 % (table 3). It can be noticed that the level of this indicator in Romania, during the analyzed period, except for the year 2008, was lower than the average registered in the European Union and the Euro Zone.

#### 4. Conclusions

The major role of the workforce in the economy is known in general and the fact that it contributes decisively to achieving economic growth. An important aspect is an imbalance between labor supply and demand that generates unemployment.

Being a complex phenomenon can have various forms, multiple causes and it must be emphasized that it also generates significant costs if it is at a high level. It is classified according to size, intensity, duration, and structure, and to reduce it, a series of long-term measures are needed to increase employment on the labor market.

Regarding its level in Romania, it could be observed that in the first part of the analyzed period, there was an increase, and in the second part and especially towards the end of the analyzed period, there was a decrease in its value.

At the same time (except for 2008, when the unemployment rate among men in Romania was higher than the EU and Eurozone average) was observed that throughout the analyzed period, both the total unemployment rate and that among women were lower than European Union and Eurozone average.

To stimulate development and reduce unemployment, the European Union has adopted a series of strategies that contribute to sustainable development and create adequate conditions for those who want to integrate into employment.

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