

SOME CONSEQUENCES OF THE ECONOMIC CRISIS IN ROMANIA

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ABSTRACT: *The international financial crisis has led to a number of effects on the Romanian economy. Although there had not been reported any direct consequences on the banking system, indirect effects on the economy were felt in full. In this context, the present paper, aims at highlighting numerous macroeconomic effects of the crisis with important economic and social load.*

KEY WORDS: *economic crisis; unemployment rate; employment; GDP; economic development; investment.*

JEL CLASSIFICATIONS: *J21; J61; O11.*

1. ECONOMIC CRISIS IMPACT ON SMES

The global economic crisis, which started in 2008, was felt in Romania as well, as we can talk about a major international crisis with many negative effects on the economies of the world. In this context, we consider that highlighting the impact of the economic domestic and international downturn on SME activity in Romania is of great importance.

Thus, according to the White Paper on SME's, considering the development of activity in this sector during October 2008- March 2012, we may observe that 35,4% of the companies, have reduced activity; 50,57% of the units operate at the same parameters and 14,02% of the companies have led an upward trend, in the sense that they have increased their activity (White Paper of SME's 2012). In this context, we can see that the economic downturn has affected a large part of the Romanian companies, and only a small percentage managed to consolidate and develop their business.

If we consider the regional affiliation of SME's it can be noticed that entities in the South-West region recorded a higher percentage among the companies which had a

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downturn trend, driven by the economic crisis (56,74%). The Central region, has the largest share of SMEs business, which has maintained activity at the same level (50,88%) and recorded the lowest percentage of firms in recession (35,67%); if we consider firms which developed during October 2008- March 2011, companies in the South-East region have a lower percentage (7,61%), while the companies in the North-East region, recorded a higher percentage.(22,67%). (White Paper of SME's 2011)

Table 1. Dynamics of SMEs investigated during October 2008 - March 2011, according to the regions they belong to (%)

No. crt.	Dynamics of firms in the period October 2008 - March 2011	SMEs grouped by regions							
		North East	South East	South	South West	West	North West	Centre	Bucureşti - Ilfov
1.	SMEs which have reduced activity	42,25	48,73	47,08	56,74	47,06	37,79	35,67	39,20
2.	SMEs operating in the same parameters	38,73	43,65	43,30	32,58	42,65	39,53	50,88	48,74
3.	SMEs that have increased activity	19,01	7,61	9,62	10,67	10,29	22,67	13,45	12,06

Source: White Paper on SMEs 2011

If we analyse the domain of activity (table 2) we may observe that, because of the economic crisis, construction companies were the most affected companies, with the highest percentage of reduced activity (59,72). This phenomenon is based on the low power of purchasing of the population and also on the tightened credit conditions.

These factors have led to the reduction of the activity of trade firms as well. SMEs in the transport sector, recorded a higher percentage among firms that maintained their workload (51,18%); industrial units have the highest percentage of SME's that have increased their activity (19,34%); while tourism entities stand for a lower number of operators who have reduced their activity (35,29%).

Table 2. Dynamics of SMEs according to industries in the period 2008-2011 (%)

Nr. crt.	Dynamics of SMEs in the period October 2008 - March 2011	SMEs by industry					
		Industry	Constructions	Trade	Transport	Tourism	Services
1.	SMEs which have reduced activity	41,04	59,72	47,13	39,37	35,29	41,34
2.	SMEs operating in the same parameters	39,62	31,94	42,89	51,18	48,04	40,94
3.	SMEs that have increased activity	19,34	8,33	9,98	9,45	16,67	17,72

Source: White Paper on SMEs 2011

Overall, it can be concluded, that a considerable part of Romanian SMEs have faced serious problems, due to the economic downturn. As in other countries, in the world and in the EU community, these companies did not manage to cope with the economic crisis, which is explained by the fact that SMEs are generally more vulnerable to contextual turbulence than the larger firms are.

2. THE INFLUENCE OF THE ECONOMIC CRISIS ON LABOUR MARKET IN ROMANIA

In recent years, the labour market in Romania has been heavily influenced by various economic, political and social factors. After a period of economic growth and increasing living standards, the manifestation of economic and financial global crisis affected labour market in Romania and highlighted the imbalances and vulnerability of the Romanian economy as a whole, as the Romanian economy could not keep away from the harmful influences of the recession.

On the Romanian labour market, the economic crisis emerged by a significant increase in unemployment and a strong reduction in employment (Figure 1). The most affected sector was that of constructions, but also the automotive and consumption-related sectors suffered a lot. According to numerous studies, unemployment has mostly affected male population as a consequence of the reduction of the activity in the fields already mentioned, where there were mostly men employed.

Basically as the following chart shows, the evolution of unemployment in Romania is characterized by two distinct periods:

- 2000-2007 when there can be seen a continuous reduction in unemployment (from 10.5% in 2000 to 4,1% in 2007) due to the positive development of the economy in that period;
- 2007-2011 the labour market equilibrium is disturbed by the economic crisis which has affected our country as well. Consequently, the unemployment rate started to increase each year gradually.

An analysis of the distribution of unemployed people based on age group, shows that the most productive population has been affected by the crisis, which includes persons between 30-49, which is 52% of the population. In this context, the idea of going abroad for work, is becoming more attractive to Romanian people and many of them choose to work in a foreign country. The jobs offered on the internal market are insufficient and cannot meet the demand; salaries are also much lower than in previous years, thus, going to foreign countries, where salaries remain satisfactory and enough to maintain a decent standard of living seems to be an adequate solution.

In this context, the economic crisis transforms emigration from Romania in a lifetime horizon. Not only those who have relatives abroad want to emigrate but also people belonging to other categories, in any age, any ethnic or professional ancestry. Thus, emigration is not determined only by the level of the income but also by the distrust in institutions and policy makers. (Marga, 2011)

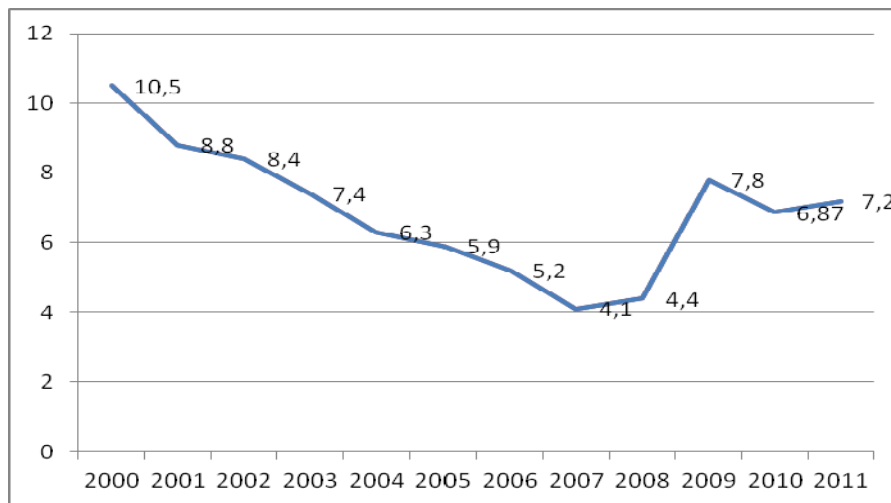


Figure 1. The evolution of unemployment rate

Source: data processing www.insse.ro

According to the data published by Eures, in 2011 a number of 17.318 persons were in search of work abroad, and so they turned to Eures adviser to find a job in various European countries (National Agency for Labour Employment, 2011). A new element is that for the first time in five years of Eures Romania, the number of job seekers in European countries with secondary and post-secondary educational level was higher than that of the persons with primary, secondary and professional. In general, their applications were targeted mainly for skilled and unskilled jobs in agriculture, construction, manufacturing, hospitality food and so on, but there were also demands for highly skilled jobs (engineer, doctors, teachers, and so on).

According to Eures, in terms of distribution of people by region, it appears that in 2011, most requests were recorded in the South- West (4968 persons) South (2969 persons) and North-East regions (2765 persons) – which are also the poorest regions in the country. The phenomenon is explained by the fact that the highest percentage of SME's reduction, has been precisely in these regions. The fewest requests were recorded in Bucharest Ilfov (1.119 persons) and Central (933 persons) (National Agency for Labor Employment, 2011), due to the higher degree of economic development of SME's which maintained or even improved activity. Among the countries which were predominantly favoured by Romanians are: Spain, Denmark, Austria, and Italy.

According to the data provided by the National Employment Agency by Eures, it is noted, that the largest share of migrant people is represented by women (87,76%) who generally go for activities which do not require a certain skill (domestic service, agriculture, home care for elderly people) and who would not have a chance to get employed, if we consider the current labour market in Romania.

In terms of age group comprising persons who want to find a job abroad, there is a significant share of people between 26-35 and 36-45 (Figure 2). This can be

explained by the fact, that the first group of people has a greater mobility and perhaps they are in a foreign country for the first time, in order to build a career abroad. I assume that the motivation for the second category of people, is given by the restructuring of the activity that occurred in many areas and sectors, and without a proper program of retraining, labour market integration opportunities in Romania are limited.

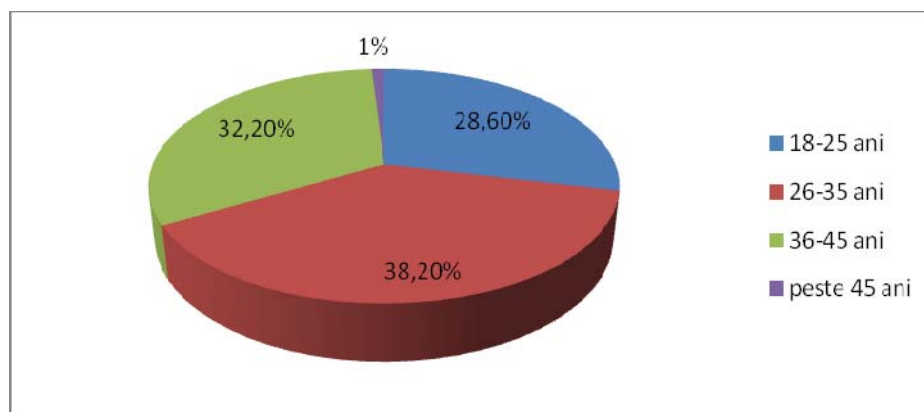


Figure 2. Age distribution for migrant persons

Source: National Agency for Labour Employment

In conclusion, I consider that, most Romanians choose to go abroad to improve their income and to achieve a higher standard of living, especially since in recent years, under the auspices of economic crisis, poverty rate has reached alarming proportions in our country. According to a study carried out by the Romanian Institute for Evaluation and Strategy in March 2012, most Romanians tend to consider themselves as poor when they are asked to position themselves on a scale from 1-10, where 1 means "poor" and 10 means "rich" the obtained media being 4.73. Moreover, an overwhelming proportion of respondents say that the majority of the population in Romania is regarded as poor- 90%. Also, more than three quarters of respondents consider that inequality between people in Romania is high or very high. Also, within the same study, respondents were asked to rate the importance of issues whose resolution is pursued through the Millennium Development Goals. The most important aspects in view of respondents are: poverty (61%), lack of school education (48%), environmental pollution (36%), discrimination against girls and women (28%) and dirt and infectious diseases (24%). (Romanian Institute for Evaluation and Strategy, 2012)

3. THE REFLECTION OF ECONOMIC CRISIS IN ROMANIA'S GDP

The analysis of GDP / capita in the developing regions of Romania for the period 2007-2009 shows that there is a growing trend for 2007 and 2008, followed by a decrease for the period shown below. The increase is resumed since 2010. However, the GDP for all regions are below those recorded in 2008. In terms of GDP growth the

Bucharest-Ilfov region emerges, followed by the West region, at the opposite side hovering North - East and South – West regions. For 2011 there is a faster growth tendency for the North-East and South-East regions, while other regions, as the values predicted are regarded as being relatively steady compared to the previous year. (Figure 3).

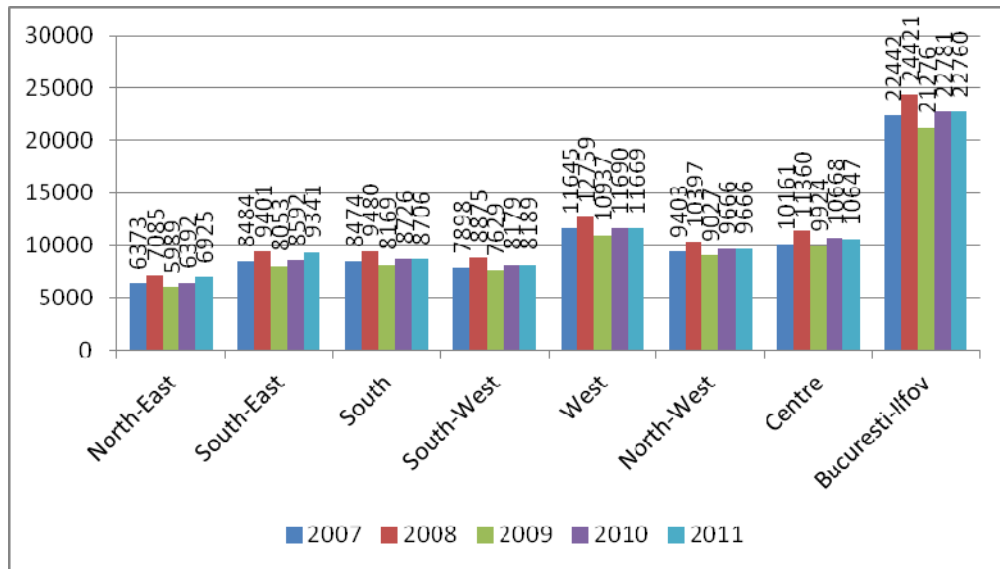


Figure 3. Evolution of GDP / capita by regions in 2007-2011 (EUR)

Source: calculations based on the data taken from www.cnp.ro and www.insse.ro

At the regional level there is a close relationship, inverse proportional between the GDP/capita and unemployment. For 2007 and 2008 there was a decrease in the unemployment rate, which continues the trend of the pre-accession period. The year 2009 represents a turning point in the economic crisis with a significant impact on both GDP and unemployment rate.

The highest values of unemployment rates are recorded in the South West, followed by the Central region, South Muntenia and North-East regions (Figure 4). These levels are coupled with the lowest GDP growth rates since 2007. Thus, the North – East region recorded the lowest level of GDP / capita in 2007 (6373 EUR) and even lower in 2009 (5989 EUR) and in 2011 remained in this position, at approx. 6925 EUR. Although recorded higher levels of GDP / capita compared to the North - East: in 2007 (7898 EUR), (7629 EUR) in 2009 and (8189 EUR) in 2011, the South – West region recorded the highest levels of unemployment throughout the period.

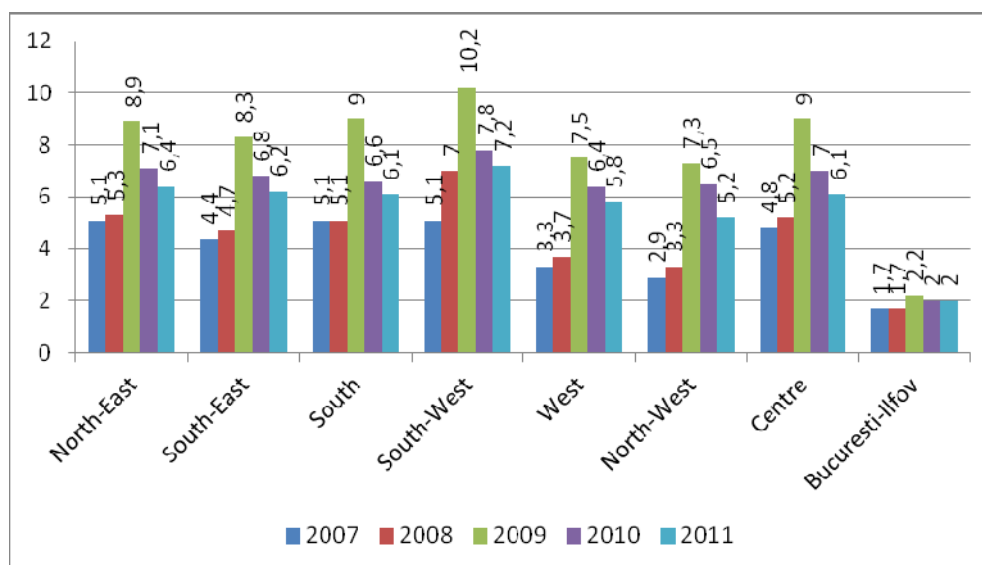


Figure 4. The evolution of regional unemployment rates in 2007-2011

Source: calculations based on the data taken from www.cnp.ro and www.insse.ro

CONCLUSIONS

The undertaken analysis has outlined a number of conclusions:

- The economic crisis has affected the private sector, meaning that a significant percentage of small and medium enterprises have reduced their activity;
- An immediate consequence of this situation was job loss of a large part of the population and, as a consequence, a rise in the unemployment rate;
- A large part of those who remained unemployed have chosen to migrate to other countries with the hope of obtaining a satisfactory income;
- Reduction in the productive private sector activity immediately reflected in the GDP which has experienced a downward trend;
- Overall, the economic crisis led to negative changes in the socio-economic situation of our country in the given period and therefore to a lower standard of living and quality of life for most people.

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