THE IMPACT OF THE ECONOMIC CRISIS ON THE UNEMPLOYMENT RATE IN GALATI COUNTY, MEASURES AIMED AT ITS REDUCTION

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Abstract

The work was undertaken from the perspective of impact analysis and economic crisis on unemployment in the region of Galati, taking into consideration the causes which led to the unemployment emergence and its increase, the effects that generate and maintain it, as well as its mitigation. The unemployment rises on the basis of two major economic and social problems: loss of the jobs by a party due to employment and increasing the working offer for the employment of the younger generations in their working age. To avoid the negative effects brought about by the unemployment should focus on: a policy to encourage investors, the labour market flexibility, the convergence of educational curricula and development service industry.

Keywords: unemployment, economic growth, global crisis, labour.
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The existence and the progress of the society are provided by the population and the economic development, on the one hand, and their interaction, on the other, on condition that relationship is carried out under certain qualitative and dimensional characteristics. The lack of these features or their distorting effects, lead to an imbalance of the population-economy correlation.

As a result of recent economic problems, more and more workers of all branches of economy are losing their jobs every day. Less investment, a decreasing demand, companies shutting down or banks restricting individual loans are all factors which have made Romanian citizens be more cautious when it comes to spending. It's no surprise, then, that house and car sales have dropped, that people are no longer going on expensive holidays and that even the number of cosmetic surgeries has been reduced.

Statistics shows that since the crisis began, unemployment rates have risen in 31 counties of Romania. The most affected regions are the rural areas in the North-East, South-West and South of the country. In late November, the Agrostar Farmers' Federation announced that over 50 thousand workers in agriculture were laid off temporarily. The National Association of Importers and Exporters expects other hundreds of thousands to be laid off temporarily or definitively in the coming months. This comes as a result of the decrease in textile, chemical, mechanic and furniture exports. At the moment, the majority of companies operating on the Romanian market are not hiring new people, while in the real estate area, the number of job offers has dropped by 70% compared to the last year.

The unemployment today is one of those imbalances that affect the proportions in different countries and regions. Romania ranks 9th in the Eurostat top, with an unemployment rate of 6.9% in July, 0.1% above the member states' average. This year brought a decrease in unemployment, compared to July 2006, when the unemployment rate was 7.5%.

Although analysts say unemployment will continue to drop, job losses might increase on the short run, due to exporting companies and the end of seasonal activities. Appreciation of the national currency affected some producers for both the domestic and export market. We might witness a reduction in jobs, especially in the furniture industry (standard.money.ro).

The National Employment Agency (ANOFM) also announced that this month some 1,700 people are likely to lose their jobs, especially in the private sector. However, the market will assimilate rapidly the unemployed labour force, specialists say.

Lowest unemployment rates in member states, in July, were in Denmark – 3.2%, the Netherlands – 3.4%, Cyprus – 4.1%, and Austria – 4.3%. At the opposite pole, the highest rates were in Slovakia, with 10.6%, and Poland with 9.7%. The EU had an unemployment rate in July of 6.8%, lowering every month (6.9%) and year-on-year (7.9%).

The unemployment is a complex contemporary phenomenon, carrying out different consequences upon all the countries in the world. It is a broad phenomenon that includes the economic field, in particular, but also elements of social, political, psychological and moral level.

In terms of the labour market, unemployment represents the excess supply over demand for labour.

Table 1: Unemployment rate in Romania

Year	Unemployment rate	Rank	Percent Change	Date of Information
2003	8.30 %	114		2002
2004	7.20 %	126	-13.25 %	2003
2005	6.30 %	58	-12.50 %	2004 est.
2006	5.90 %	59	-6.35 %	2005 est.
2007	6.10 %	68	3.39 %	2006 est.
2008	4.10 %	51	-32.79 %	2007 est.
2009	6.80 %	64	-6.33 %	2008 est.

Source: CIA World Factbook - Unless otherwise noted, information in this page is accurate as in June on the 18th, 2009

Labour economists tend to consider unemployment as a short-term disequilibrium which can be solved by a proper price adjustment that is by a wage decrease large enough to induce an adequate increase in the demand for labour. Yet, in recent times, unemployment appears to be a rather permanent phenomenon, especially in the largest European countries and in the European Union as a whole. Moreover, this persistence does not seem to be positively affected by wage moderation started in the late '80s and lasting during the '90s. Thus, mainstream economics has tried to find other justifications of high and permanent rates of unemployment and attention has been focused on the so-called "labour market rigidities.

The most known definition of unemployment is given by the International Labour Office, and this is: unemployed persons over 15 years who meet the following conditions simultaneously: do not have a job or activity for the purpose of revenue, are looking for a job, failing in the last four weeks to find one, are available to start work in the following 15 days, if there is a job for them start immediately.

The unemployment phenomenon can be characterized by the help of several elements:

➢ The level of unemployment, which is determined both in absolute size, the number of unemployed as well as relative size, the unemployment rate (calculated as the ratio between the percentage of unemployed and civil active population). These indicators, in the region of

Galatz, differ depending on a number of characteristics (gender, age group, medium, etc.). Currently, the world believes that full employment of labour is equivalent to a low level of unemployment (1.5 - 4%). As a permanent phenomenon, the famous English scientist A.W.Phillips added the two indicators a certain third one, called the natural rate of unemployment, which corresponds to a stable or inertial rate of unemployment.

➢ The intensity of the rate of unemployment - depending on the features delineating the following types of unemployment: total unemployment - involves loss of employment and total cessation of business; partial unemployment - reducing activity of one person, in particular by working time reducing followed by a decrease of remuneration; disguised unemployment - specific for the least developed countries, where many people have a job of reduced employment effectiveness.

➢ The unemployment duration or period of unemployment from the moment of leaving the job up to the moment of resuming a new one, as a characteristic element of a rising trend in unemployment. In most countries, there are specific rules that specify the duration for which compensation is paid, usually long-term unemployment being considered unemployed continuously for more than 12 months.

➢ The unemployment structure or its components are made by classifying the unemployed after a series of characteristics: the level of qualification, field in which they worked socio-professional category, age, sex, etc.

The result of several causes (which derives from the salary size matters, supply and demand of goods, the rigidity of prices), unemployment takes three forms: unemployment by insufficient consumer demand, also called Keynesian unemployment or involuntary'' (workers will work, since demand for labour is scarce relative to supply). Unemployment by insufficient production of various reasons (lack of raw materials, production equipment), entrepreneurs cannot or will not produce and employ staff; partial non-adaptation to the unemployment through labour, which may have several causes: poor working conditions, low level of salaries.

Unemployment today is regarded as predominantly involuntary, but it is also composed of voluntary unemployment and transient forms. It is formed on the basis of two major economic and social processes: loss of

employment by a party and employing the new generation in their working age.

In the first trial, there are the following types of unemployment: cyclical unemployment or short - because of various crises partially fully managed during the economic boom, structural unemployment - caused by economic restructuring trends, geographical and social level that involves a long and difficult process of growth investment, retraining and reorientation of education;. Technological unemployment - due to the technical progress enhanced by the emergence of advanced technologies and reduced through retraining the workforce; intermittent unemployment - caused by the practice of short-term employment; discontinuance of unemployment - especially bearing an impact mostly on women and caused by interruption of business due the family or maternity reasons; seasonal unemployment - caused by activities depending on natural factors going down.

In our country, the phenomenon of unemployment has been officially recognized since 1991, with the entry into force of Law no. 1 / 1991 on social protection of unemployed persons and their vocational integration.

The decline and disturbances caused by switching to a market economy have caused a real explosion of unemployment in the early years of transition, culminating in 1994 when it registered a high rate of unemployment. This year followed a period of recovery, in the year 2004 registering again a higher rate as a result of restructuring or even liquidation of inefficient units of economics (especially in the steel industry, wood industry and furniture, construction and transport of textile industry, agriculture, industry machinery and equipment, trade and waste processing as branches represented in the area Galati).

The graphical representation of unemployment sex rate trends, in the area of Galati, reached an average, during the 2004-2009 time period, as highlighted in Figure 1, in which a general increasing unemployment rate as well as the specific rates are to be seen.

On average, the differences of unfavourably unemployed urban population is maintained throughout the period, but their magnitude reached varies from 5.2%, in 2004, to 10.3%, in 2009, gender differences unfavourably employed male population, from 0 4%, in 2005, to 0.9%, in 2009 (except 2006, when the unemployment rate among male individuals exceeded the one of the female individuals, by 0.11%).

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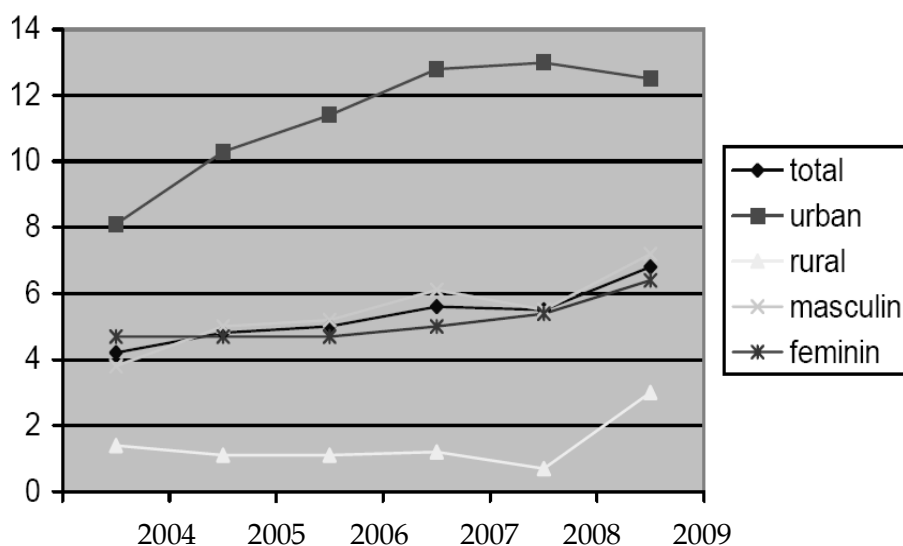
Figure 1: The evolution of unemployment rates in the Galatz area

The unemployment rate in the county of Galati has increased from 5.8% in October to 6.2% in November 2008, during which dozens of companies have announced the dismissal of 4300 employees their number being also reduced by nearly one quarter over a the similar in 2007.

The first companies that have resorted to this measure were in a contractual relationship with the largest trader in the region, Arcelor Mittal, involving steel plant, in turn affected by the crisis. ICMRS SA Galati, who made the steel plant at Galati involving steel industry repairs and Grand Smithz Works International, a firm operating to hold the slag on the steel platform, the number of employed workers having been dropped to about 500.

The County Agency for Employment has forecast an unemployment rate of over 6.2% for the month of November 2008.

In January 2009, there were massive layoffs, especially in construction, the largest company profile in the region, VEGA 93 SRL, fired 1600 employees got the sack of the 2060 employees.

Statistics Employment Agency of the County of Galati shows that a total number of 3913 citizens lost their jobs in 2008, in the month of

December and in 2009, in the month of January. Together with another 370 workers redundant by November 2008, resulting a total of 4283 unemployed in the region of Galati. That will be added by the ones leaving the platform Arcelor Mittal by the end of March 2009 in exchange for compensation payments.

The reduction of employment in November is another factor contributing to the rising of unemployment rate in the county of Galati. According AJOFM Galati, in November 2008 and have found a job 382 Galatians, with almost 25% less than in November 2007 when 505 people were employed in the work force. If you want to judge the performance of any savings, you will have to judge, measure and correlate the basic elements we have at our disposal for the economic growth rate, for inflation and unemployment.

When the rate of growth (rate of real GDP) is high, the production of goods and services is increasing and, therefore, it lowers the rate of unemployment, increasing employment and hence the living standards.

The specialists argue that if the rate of growth of the real GDP per capita would remain 2% per year, then consider per capita GDP would double every 35 years each generation can hope for a longer life. When the economic growth is an expansion, default has occurred and a decrease in unemployment. So, for a higher growth rate, a lower unemployment rate will get increased.

The Law that reflects the linkage between the growth rate and the unemployment rate is known as "Okun's Law", so called after the name of the discoverer Arthur Okun. Under this law, "for every 2.2 percent of the real GDP growth achieved in a year, the unemployment rate falls by one percent. The statistics is valid only for the US and around the Okun research carried out. It is considered that the level of unemployment up to 5% is normal and acceptable, and when they reach 8-10% or even more than that it leads to the most serious social problems.

Among the most important measures to decrease unemployment, the solutions and the final term, are necessary:

➢ the process revives growth through a policy of encouraging investors to create new jobs and stimulate the efforts of imports of equipment and capital goods that increase employment and infrastructure development;

➢ the labour market flexibility through flexible work schedules, partial or temporary work practice, seasonal reduction of the working time;

➢ the convergence of the educational curricula on specialization and professional requirements of various industries to increase employment opportunities for young people;

➢ the employment programs must submit extensive and ongoing information to persons seeking jobs. The more complete knowledge and information on jobs, the easier the adaptation is performed.

In this respect, support initiatives through tax incentives, interest subsidies, and preferential customs duties long term effect actions but of a more stable nature.

Training and further training may also be important goals in the programs, such as to assist those threatened by unemployment because they cannot keep pace with the new requirements under the professional competence.

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