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CRISIS, RECESSION, ECONOMICAL OF ROMANIA

Case study

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Abstract

The article deals with issues related to the crisis, recession, economical of Romania. By this paper I did not present an anti-crisis plan but I have exposed a number of measures that may cause the settlement of this phenomenon as stimulating the economic growth, protecting citizens and creating jobs. In this context, the article provides and highlights the main markets affected by the economic crisis, these debuting with the estate market, auto market, list that continues until field of education. I have also highlighted the main causes of it, and not least I presented the impact of the crisis upon the most counties in Romania.

THE WORST ECONOMIC CRISIS

The financial crisis of the late 2000s is considered by many economists the most serious economic-financial crisis since the Great crisis in the 1930s. The crisis contributed to the failure of business, loss estimated in trillion dollars, and a significant decline of the economic activity, leading to a severe global economic recession in 2008. The crisis led to the collapse of large financial institutions at the bank bailouts by national governments and periods of decline of stock markets worldwide. The financial crisis was triggered by a liquidity shortage in the banking system of the United States. The collapse of real estate in the USA peaked in 2007 and has caused economic damage to institutions around the world. The decline in credit availability and investors' confidence had a major impact on global stock markets, property values suffering many losses during 2008 and early 2009 the economies have declined during this period, credit conditions have tightened and international trade declined. Governments and banks have responded with fiscal stimulus with monetary policy expansion and institutional financial aid without precedent.

([www.dailybusiness.ro/.../am-depasit-criza-cum-vor-evolua-romania-si-eu...22 oct. 2013](http://www.dailybusiness.ro/.../am-depasit-criza-cum-vor-evolua-romania-si-eu...)

<http://www.rasfoiesc.com/business/economie/Directii-de-ameliorare-a-piete76.php>

<http://www.zf.ro/analiza/la-doi-ani-de-la-inceputul-crizei-financiare-romania-nu-gaseste-drumul-catr...>http://evolutiacrizeieconomice.blogspot.com/2011/04/01_archive.html

http://observator.bns.ro/wpcontent/uploads/sites/9/2013/08/Revista_presei_15_septembrie_2010.doc

<http://www.zf.ro/analiza/la-doi-ani-de-la-inceputul-crizei-financiare-romania-nu-gaseste-drumul-catr...>)

In late 2009, fears about a sovereign debt crisis developed among conservative investors concerning some European states, led to a particularly tense situation in early 2010. This included euro zone members: Greece, Ireland Spain and Portugal and also some EU countries outside that area.

In the EU, especially in countries where sovereign debts have increased sharply, a crisis of confidence has emerged with the widening of bond yields and credit risk insurance between these countries and other EU members, the most important country being Germany. While the sovereign debt increases have been more pronounced in only a few euro zone countries, they have become a perceived problem for the entire region as a whole in 2011 May, Greeks generally reject the austerity measures and they have expressed their dissatisfaction by violent street protests.

In late June 2011, the crisis situation was brought back under control, the Greek Government that manages to vote on a package of austerity

measures, EU leaders pledging funds to support the country. The concern about rising government deficits and public debt levels across the globe together with a wave of damaging the European government debt created a wave of disputes in the financial markets. On 9 May 2010, Europe's Finance Ministers approved a global rescue package in the amount of € 750 billion aimed at ensuring financial stability across Europe by creating the European Financial Stability Fund. This was the first major crisis in the euro zone since its inception in 1999, showing conclusively that the euro zone is far from an optimum currency area.

August 2011, stock markets shall record a sharp drop in prices at sale in the USA, Middle East, Europe and Asia. This happened because of the European sovereign debt crisis in Spain and Italy, concern about the slow economic growth USA. (www.asistenta-contribuabili.ro/mari-crize-economice-care-au-afectat-umanitatea).

The economic crisis of 2012

The fall of the American bank Lehman Brothers in 2008, a huge financial disaster, formally marked the beginning of an economic crisis that has ransacked the business world and which put to the ground many companies and banks. The effects of the failure of Lehman Brothers feel also at the present where economies around the world are trying to find their way back towards economic growth. It took the intervention of states, with taxpayers' money to keep alive financial groups whose leaders have played depositors' money going into risky business, where physical value was not created, everything being only a bet.

Even if at first, the Crisis on Wall Street was considered a distant event, its effects quickly spread to Romania, which in a few months was put down and found out that the IMF should take financial help for 20 billion Euros to survive and not go bankrupt. Even if it took the largest loan ever, Romania, headed by President Traian Basescu and Prime Minister Emil Boc and the BNR governor Mugur Isarescu did not recover even now and it is on the verge of making a new loan. In 2008 autumn and early 2009 all the officials and all the top analysts argued that Romania will not be affected too much by the events in the USA.

Reality would contradict them. We had an economic collapse on 2009 of 7%, this year the economy is heading for a decline of another 2%, and the forecasts for next year, although they are on the rise, are already brought into question.

After the fall of Lehman Brothers, Romania found that has a rotten social system which cannot be sustained from low income collected to the budget. Because pensions in 2007 have greatly increased, many people were engaged in central and local administration, the government is now forced to borrow every week to pay obligations. But the most

painful thing was that the crisis has seriously hit the private sector, which started to put on his feet after 2004 and had sustained growth until 2008.

Private firms became insolvent and many Romanian businessmen fear more than ever that they could go bankrupt because they do not have money to support their businesses. Being faced with daily problems, including the risk of losing their jobs and having to pay bills, especially those to banks, being heavily indebted, the Romanians began to make savings. From here started a whole spiral of cuts that did not stop not even now. Businesses of all companies decreased, commercial exchanges declined and the state faced a dramatic loss of income, but with a higher bill to expenses. Although no one thought it is possible, in May Basescu announced a cutting of wages by 25% and the beginning of a program of layoffs. Because pensions could not be cut, the government was forced to increase VAT from 19 to 24%, which again led to a rising inflation and a new wave of reductions in consumption.

Romania lost in just two years 30 billion Euros in the economy, about as much as the GDP was for a full year in 1999. After this crisis that is not over yet, there remain many questions to which there are no answers.

Romania is in recession, even if compared to 2013 there is a slight economic growth. But the economy has already started to decline, a decline of two consecutive quarters. The first issue would be to reduce investments, there was a reduction in investment of 25% more than last year. Then were reduced foreign direct investments which fell by 10% in the first half compared to the previous year.

(http://www.romaniatv.net/basescu-romania-a-intrat-in-recesiune-si-ne-paste-o-noua-criz-a-cauza-ar-fi-proasta-guvernare_164568.html#ixzz3E918lhDz,
<http://www.goldfromromania.ro/categorie-stiri/interne/basescu-romania-a-intrat-in-recesiune-si-ne-past...http://www.stirilazi.ro/basescu-romania-a-intrat-in-recesiune-si-ne-paste-o-noua-criz-a.html>)

The labour market in Romania and the main imbalance in the market:

UNEMPLOYMENT

In the economic literature in our country is used both the concept of "labour market" and the "the workforce market". (Nita Dobrot 1997), in the "Political Economy", defines labour market: "it represents the economic space in which work users are freely trading, in their role as purchasers and owners of labour resources, as sellers, in which the work price mechanism, free competition between economic agents, other specific mechanisms, adjust demand and supply of labour".

The term "labour market" is used by the authors of the University Handbook of Economics, being

defined, (Ciucur et al., 1999) as follows: "The labour market represents the set of actions for sale - buying labour, that takes place in an economic space"

In "Political economy - theory and economic policy for Romania" it is operated with the term of "the labour market". (Adumitr cesei et al., 1998) .

In authors' conception, the labour market can be defined as "the set of economic relations on the employment and use of labour, as well as ensuring social protection of the owners of this special merchandise".

In the "Labour Economics", Petre Burloiu considers that the labour market (Burloiu, 1993) "represents the confrontation between demand and supply of workforce in a certain period of time in a certain space, that finalizes by selling - purchase labour force in exchange for a price called salary". (<http://www.roportal.ro/stiri/somajul-din-romania-a-depasit-media-ue-689485.htm>

http://www.money.ro/rata-somajului-in-romania-a-crescut-usor-la-7-3-in-2006_16079.html

[http://www.wall-](http://www.wall-street.ro/articol/Economie/31558/Rata-somajului-in-Romania-a-crescut-usor-la-7-3-in-...)

[street.ro/articol/Economie/31558/Rata-somajului-in-Romania-a-crescut-usor-la-7-3-in-...](http://www.wall-street.ro/articol/Economie/31558/Rata-somajului-in-Romania-a-crescut-usor-la-7-3-in-...)

http://www.insse.ro/cms/files/statistici/comunicate/somaj/somaj_IV_06.pdf)

It should however be made clear that although the author uses the term "labour market" he disagrees with it, considering that it is more correct the term "the labour force market" because "work is a consequence of the application in the production of labour force, sold by the worker and bought by the employer, representing the incorporation into product of energy provided".

Based on analysis undertaken, the Romanian labour market model is presented to us as a complex system defined by the following main characteristics:

1. Romania has moderate market today, not really Anglo-Saxon, but in that direction.
2. A more regulated market, in the direction of increasing the role of employers in order to give those the flexibility in competition and better profit conditions. As pointed out by (R boac , 2003): "The state appears more than ever attached to the interests of the capital ... going along with patron" arguing that this exercise is made for a long time by Japan and other countries in order to support firms in the economic competition, but also employment;
3. A market with little trade union force, despite all appearances, especially after the explosion of small and medium enterprises who have not resorted to create syndicates;
4. An open market, on the one hand, to changes considering the European requirements of economic efficiency, on the other hand, considering the direction of social requirements;
5. State remains involved in the functioning of the labour market by Regulatory systems that

contribute to the achievement of the performance of companies, but also by their own interventions, active and passive;

6. conditions of large expansion of the contract are created on a specified period and forms of atypical employment, lower quality, much uncertain for the workforce, but which provides a greater mobility of this.

7. The labour market in the Romania is conceived in a rather flexible vision of organization and operation, as:

- In Romania, the model of the labour market is characterized by a decrease in stiffness, of inputs and outputs of the firm, but also a flexibility of the professional skills of employees by providing ongoing preparation and development throughout life, through training and individual career development;

- achieving this model is strictly conditioned by the development and application of human resource management based on change, scientific research in this field, and a better link between theory and practice;

- by the transfer of training to the company level, also in regional centers in order to improve this, respectively to obtain the necessary skills to develop competitive economic activities;

- Understanding and correct application of these regulations register Romania in the European trend of building the Socially Responsible Corporation. Thus, the company's role becomes increasingly important;

- Role of the state through its institutions, is mostly limited to regulating the organization and functioning of the labour market at a national scale and to ensure compliance and enforcement of regulations;

- Along with the weakening of the role of trade unions the state makes a transfer of applying active measures (social security) in the favour of the company. People who lose their jobs receive after leaving the company, social protection measures, promoted by the state, both as passive measures, as well as, increasingly as more active measures.

- by all its features, the new labour market performed motivating, encouraging, supporting businesses, by facilitating their development of flexibility programs of human resources;

Labour market flexibility is ensured also through a decrease in the share of contractual forms for an indefinite period and increasing extension of fixed-term employment contract.

(<http://biblioteca.regielive.ro/referate/economie/piata-muncii-121006.html>)

(<http://biblioteca.regielive.ro/proiecte/economie/piata-fortei-de-munca-344037.html>)

(http://www.armyacademy.ro/buletin/articole/bul2ro_2007/a7.pdf)

(<http://www.armyacademy.ro/biblioteca/anuare/2004/a20.pdf>)

(<http://biblioteca.regielive.ro/referate/economie/impactul-crizei-economice-mondiale-actuale-asupra-f...>)

Expanding the individual employment contract with limited duration is a direct form of adjustment of the labour workforce to fluctuations in employers demand. In this way increases the labour mobility, as well as the extra effort of both the individual and society to better mitigate the inevitable adapting shocks that occur during periods "between" agreements.

Since labour activity represents the form to adapt to new technical and economic requirements there can be said that this must also respond to mandatory training requirements.

In the labour market mechanism, prices, i.e. wages in Romania are determined based on the gross minimum salary per economy. If you look at the pace of development of reforms in Romania in the last 14 years it might seem too slow to us, but if we take into account our history and how we have evolved or we were slowed to evolve, the pace is not so slow as it seems, on the contrary. (Vasile, 1994)

Comparison between the Romanian and EU market

Comparing the Romanian labour market with the EU, we find that the lack of foreign direct investment in many geographical areas in Romania, the slowness of reforms, lack of tradition in doing "business", the legal system that so far has changed according to certain subjective interests, are still making difficult to implement effective business rules generalized, and still maintain our country after the other countries in Central Europe. What advantage us is our thirst for information and a high capacity to adapt.

Compared to other EU countries, Romanian labour market is not uniformly developed. Foreign investments have been directed mainly to Bucharest in the west (Timis, Arad, Bihor) in Brasov, Prahova, Arges, Sibiu and sporadically in other parts of the country.

In these regions were attracted most experts, although in other areas there is a huge potential. Because of resistance to change and lack of information, in cities with a small or medium population and development, the professional quality of people is less appreciated, although the potential of many, as I said, is great. (Yves & Colli, 1989)

Since the beginning of transition in Romania, job losses have comprised mostly the industrial sector and employment has become one of the most tensed areas of transition. Under the conditions of accelerating restructuring and increasing job insecurity, on the labour market has accumulated a

large number of social problems. Employment has become one of the most tensed areas of transition. Romania has faced a crisis of employment in the economic downturn installed after 1990.

Privatization and restructuring of Romanian economy have influenced the labour market, causing massive layoffs and the appearance of unemployment. The involutions of the economy have limited labour force opportunities for employment; the number of active and working population respectively the activity and employment rates have been reduced and unemployment became chronic.

Employment in the public sector fell by 56% between 2001 and 2007. The most significant decrease occurred after 2003 (50%) as a consequence of accelerating the privatization and restructuring of state-owned companies and employment in private sector increased by 60%. Its share in overall employment increased from 44% in 2001 to 71% in 2007.

In order to alleviate social tensions caused by massive staff layoffs were initiated programs to reduce unemployment for different population groups (youth, women, ethnic minorities, etc.) as well as professional reconversion.

These future trends of employment were recorded in the military institution. In order not to cause further imbalances in the labour market as a result of military downsizing, Ministry of Defence, through specialized structures, has initiated a system of retraining. Thus in 1998 is established the institutional retraining soldiers, which ensure the counselling, retraining and placement support for civilian labour market, military personnel who do not meet the conditions of the military pension service. (Www.HotNews Com)

Unemployment in Romania last year recorded the highest growth of all EU Member States, from 6.9% in March 2006 to 7.8% in March 2007, according to Eurostat, the EU's statistical division.

On this occasion, Romania has exceeded the EU average unemployment rate, which was 7.3% in March 2007. Thus, Romania was in the group of four countries that have experienced an increase in unemployment in the last year (along with Hungary), compared to 23 states where unemployment fell during this period.

The number of unemployed in Romania increased slightly to 728,000 people in 2006, the unemployment rate being according to the criteria of the International Labour Organization (ILO) of 7.3%, close to the level achieved in the previous year of 7.2%, according to data submitted by the Institute National Statistics.

By gender, the unemployment rate was higher among men (8.2%) and lower in women (6.1%). On residential, unemployment registered higher rates in urban areas (8.6%) and reduced compared to medium, in rural areas (5.6%).

(www.INSSE.ro)

http://www.INSSE.ro/cms/files/statistici/comunicate/somaj/somaj_IV_06.pdf

By age groups, the ILO unemployment rate was the highest (21.0%) among young (15-24 years). Thus, unemployment has affected far more medium and low education graduates, for who unemployment rate was 7.8% and 7.6% compared to 3.8% - the rate recorded for the educated unemployed.

Long-term unemployment the rate of, which refers to persons unemployed for a period of one year was 4.1%. The share of persons unemployed for one year or more, in total unemployed in 2006 was of 56.1%. Long-term unemployment was manifested more strongly among people in rural areas (57.5% compared to 55.3% in urban areas), the gender difference being more pronounced (57.4% for men and 53.8% for women).

Youth (15-24 years), long-term unemployment (unemployed for six months or more) was 14.2% and the incidence of long-term unemployment among the youth of 67.4%. (National Institute of Statistics, National Commission for Prognosis)

CONCLUSIONS

Hope that the critical point of the crisis was overcome, and that the economy began to recover gradually spreads throughout Europe. Some countries have made in Q2 in 2013 a considerable increase in certain sectors while others registered at least a significant slowdown in the downward trend.

Starting with the second quarter, increased the hope that the financial crisis has passed the critical stage. EU economy again recorded a slight increase of 0.4% from the previous quarter. France, Germany, Portugal and the UK all registered in part a considerable growth.

In summer, the EU has been the first to fall in terms regarding total number of unemployed. The rate, however, continues to remain at 11 percent. Therefore, no real reversal is seen yet of the situation on the labour market. It is anticipated that in the coming year even more people would become unemployed again. A significant decrease in the number of unemployed is expected only in 2015, however, experts do not anticipate that the level before the crisis will be reached on the medium term.

Romania: Reform of vocational qualifications aims at ensuring of Specialists

For 2013, all experts anticipate a slight revival of the Romanian economy, until now extremely weak. The forecasts of this improvement vary between 1.6 percent and 2.0 percent. Between 2014 and 2016, it is anticipated that the Romanian economy will grow between 2.7 percent and 4.3 percent.

According to current estimates, GDP grew by 0.5 percent in the second quarter. The general economic framework is favourable: the national debt is around 34 percent, the budget deficit of about 2.5 percent, and unemployment is at about 7 percent.

However, Romania still needs some reforms in order to keep up in the long term, with other European countries. Many companies continue to remain in state ownership. Hopes to continue the privatization was squandered repeatedly, especially in the chemical industry, mining and transport. In addition, there are still issues related to the judiciary and the black market. Invitations to auctions submit very often irregularities, and the government needs to improve payment behaviour, which in some areas is poor.

Private consumption plays an increasingly important role in Romania. Real income is increasing. In the central region of Romania, for example, there are areas where the unemployment rate is almost zero. The sector still weak in vocational training has recently been reformed. Since 1989, throughout the country, very little has been invested in the sector, but there is a law on the basis of professional qualifications can be completely remodelled. Currently tourism plays a major role in this recovery.

([www.dailybusiness.ro/.../am-depasit-criza-cum-vor-evolua-romania-si-eu...22 oct. 2013](http://www.dailybusiness.ro/.../am-depasit-criza-cum-vor-evolua-romania-si-eu...))

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