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ECONOMIC AND SOCIAL IMPLICATIONS OF UNEMPLOYMENT AND OPPORTUNITIES OF DIMINISHING IT

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ABSTRACT:

Economy does not constantly develop. A period of economic expansion and prosperity is followed by recession or even economic crises. At present, one of the worst consequences of economic recession is unemployment increase. Accordingly, under such circumstances, the paper tries to focus on the consequences of unemployment increase upon economic and social life and to identify a series of goals and measures capable to diminish it.

KEYWORDS:

economic recession, unemployment, social life

Economic development is fundamental for human beings' existence. At the same time, human beings detain the leading position in economic development; they are, together with nature, "primary" production factors. The mutual connections between population and economy occur within certain more or less varied processes and under various time and space historical circumstances.

Society's existence and progress is provided when both the evolution of the two terms – population and economy – and their interaction meet certain quality and size characteristics. Their absence or sizing might determine negative effects such as: economic underdevelopment, unemployment, decrease of the living standard which are quite often considered to be lacks of balance of the population – economy correlation.

History shows that a country's economy has a cyclical evolution. A few years of economic expansion and prosperity are followed by recession and even economic crises; one of the most negative consequences is unemployment increase. As production decreases, companies need less labor; they do not hire anymore new employees; those who still work are fired. Such circumstances manifest more and more obviously in our country too, especially within the present-day circumstances of world financial crisis.

In Romania, the first affected fields have been those connected with exports, especially those towards the European Union that represent about 70% of the whole amount of exports. Although at present statistics barely show the diminishing of industrial production and exports, the effects of the disturbances on international financial markets also affect Romania.

Romania's motor cars industry has already been affected by the effects of the economic crisis; problem are encountered by Dacia and Ford companies as well as by those companies that produce car spare parts. As regards metallurgy, Arcelor Mittal Galati has decided to decrease laminates production and to close certain production capacities. Romania's building field is also affected by present-day circumstances and the increase of crediting costs that negatively influences the demand development of residential segment.

Generally, the hardening of circumstances and the increase of crediting costs, as well as the relative lack of liquidities affect companies belonging to all the branches of Romania's activity. The whole range of economic activity manifests a restraint in expanding and deploying new investments; certain companies decreased production rhythm as a result of a

lower demand, especially for exports goods. Companies do not register profits anymore; they postpone investments or, at worst, they suspend their activity, implicitly diminishing the number of employees. If, until now, Romania has had to face, in certain fields, a lack of labor, at present, in certain areas, unemployment affects even communities.

We have already stressed the fact that the periods of economic recession determine an important increase of unemployment rate. Generally, the characteristics of such a period are *cyclic unemployment and structural unemployment* [7].

Cyclic unemployment – sometimes also called *conjuncture*, is determined by the economic crises that occur, by partial crises or by other crises characteristic of certain circumstances. This type of unemployment can be the result of the defective administration of the correlation between the salaries level, on the one hand, and the level of prices and labor productivity, on the other one. Generally, cyclic unemployment can be totally or partly eliminated during the periods of economic growth.

Structural unemployment is determined by the economic, geographic, social, etc. restructuring tendencies that occur in various countries, especially due to technical progress. It is mainly the result of the lack of balance between labor offer and demand. The system reintegration of such labor can only be done according to a long and difficult process as it implies investments' increase and re-qualification of the affected persons.

At the same time, the appearance and expansion of certain non-typical forms of employment - such as occasional jobs, determined period jobs or seasonal jobs – have determined *intermittent unemployment and seasoning unemployment*.

As regards *technological unemployment*, as in Romania new technologies' implementation processes witness a slower rhythm, it is not so evident and ample. We do not support the idea that an ampler technological unemployment could be positive; nevertheless we should notice that the delay of the new technologies implementation process according to an optimum level is going to determine, on a long term, efficiency decrease; labor productivity diminishes as well and the companies' competition capacity also decreases.

Another main form of unemployment is *exclusion unemployment* [2]; it represents the active population including most aged persons, less qualified ones, and those unemployed for a long period of time.

The manifesting of the various forms of unemployment makes its diminishing extremely difficult and, at the same time, delicate.

During the present stage, the main causes that determined unemployment increase have been:

- ✚ massive employees dismissals that have occurred within all economic fields that undergo restructuring;
- ✚ insignificant increase of the number of jobs due to the lack of diversity of economic activities and to the slow development of the private field;
- ✚ a professional and educational qualification level that quite often does not match the demands of the labor market;
- ✚ a relatively low investment capacity in economic branches having real development opportunities;
- ✚ underdevelopment of medium and small size companies due to a relatively low level of investments;
- ✚ the acute effects of the international financial crisis in various fields.

Under such circumstances we support the idea according to which a high unemployment represents an economic problem as well as a social one. From an economic perspective, unemployment is a waste of precious resources. From a social point of view, it is the cause of deep sufferance as unemployed persons have to struggle living with low incomes. During high unemployment periods material problems increase deteriorating people's feelings and family life.[8]

Unemployment cost at the level of the economy and society is extremely complex and all-inclusive. The aspects taken into consideration include:

- ✚ waste of an important amount of labor resources as unemployment decreases labor's determining part as a production factor;
- ✚ diminution of the economic development as labor's under-use is a factor that determines the tremendous decrease of production amount under the potential one;
- ✚ - such facts determine losses of salaries and profits which, at their turn, determine consumption minimizing having negative effects upon the development economy; poverty increase and generalization, especially in mono-industrial areas strongly affected by the economic restructuring of that industry;
- ✚ decrease of the State budget's incomes and expenditures due to the spread effect of unemployment;
- ✚ increase of the State expenditures in order to maintain and make function public institutions in the field of registering and surveying unemployment, to pay unemployment aids and other social expenditures regarding labor reconversion;
- ✚ appearance of social discrimination, of the phenomenon of marginalization of certain persons or less favored groups.

During the last decades, the struggle against unemployment has been a basic element of defining the social policies implemented in all the member states of the European Union. In Romania which is a member of the European Union an important reform process occurs at present influencing all the fields of the economic and social life; its key elements are *unemployment and unemployed persons' issues*.

Unemployment diminishing policies (policies fighting against unemployment [3]) can be grouped in two large categories: the first category directly targets unemployed persons; the second one refers to the measures regarding the employees.

The first category includes: organizing measures of preparing and training those persons who look for a job in order to face the new techniques and technologies; the facilities given by the State in order to create new companies capable of offering new jobs and to create new jobs in public activities. Resorting to new forms of employment has become quite familiar during the last years: reduced program or atypical program jobs; determined period employments.

The policy of unemployment decrease stipulates, accordingly, selective measures in order to train and employ long term unemployed persons.

The measures that regard employed population have as a goal, on the one hand, the prevention of unemployment increase through a needs adequate qualification, and, on the other one, they tend to decrease unemployment through creating new additional opportunities of employment.

The experience of the countries having a „tradition” in the field of unemployment and its settling has proved that the rapid progress and the well functioning of the labor market are influenced by two equally important elements: the first one is the *providing of basic social services for less favored categories* – that resides in social protection as a fundamental goal of social policy, and the second one is the *use of the most important treasure of the poor – namely, labor*.

Social protection represents a group of policies, measures, institutions, and organisms that provide a certain level of welfare and social security for the whole population and, especially, for certain social groups and persons that are nor able to reach owing to their own effort a normal, minimal life standard. Owing to juridical stipulations, social protection implements national and regional programs with a view of providing aids, allowances, allocations, and social services for less favored persons.

Two categories of labor social protection measures are stipulated:

- ✚ *passive measures* (targeting money aids such as: unemployment support, professional integration support, support allocation, and money compensations given to the persons that have been collectively dismissed);
- ✚ *active measures* (targeting the stimulation of natural and juridical persons that employ graduates of higher education institutions, the giving of advantageous credits in order to found small and medium size companies, qualification, re-qualification, and professional

improvement of those who look for a job, organizing job promotions, other special active measures in order to employ dismissed labor).

Such protection measures are meant to stimulate the (re)turning to economic activity and the development of entrepreneurial spirit, to encourage the persons belonging to less favored categories, to increase the incomes of those having low incomes.

The restructuring of the Romanian social and economic system according to the demands of the market economy determined deep and important changes at the level of the labor market that also include unemployment as a mass phenomenon. Under such circumstances, one of the essential goals of Romania's social and economic policies is the guarantee of a job and providing of a decent living standard, either determined by a person's direct work or provided by social protection and assistance (which have an important part in diminishing unemployment's effects among the less favored population).

At present, Romania's labor market displays a series of services as follows:

1. *Financial services* – that include the payment of certain money aids (unemployment support, professional integration support, support allocation, social support), advantageous credits given to the small and medium size companies or subsidies granted to those companies that hire graduates;
2. *Labor intermediation services* – that include activities of labor intermediation, counseling services regarding professional career and business counseling services;
3. *Information services* – for those who demand or offer jobs;
4. *Training services* – that include activities of professional preparation in specialized units (schools, colleges, universities, requalification and professional improvement centers).

Out of the services existing on labor market we are going to focus upon labor intermediation services that we consider as quite important in the process of labor integration/reintegration of unemployed persons.

We consider that, on the one hand, the labor intermediation service can support unemployed persons and those who can be threatened in the future by unemployment owing to the services at their disposal, and, on the other hand, business counseling offers mainly to the private field companies ideas and support regarding their development opportunities as well as counseling and support services for those interested in starting their own business; they consequently contribute to the development of the private field and the foundation of new jobs.

Labor mediation includes a series of activities owing to which they try to correlate demand and offer on labor market; it has as a final goal the employment of available persons and the occupation of vacant jobs. The matching between labor demand and offer should occur under circumstances capable of meeting both parts and of determining a long lasting professional relationship. [4]

Mediation centers offer to those who demand jobs complex information regarding: vacant jobs and the terms to be carried out in order to get them; services offered by mediation centers; statistics regarding labor market; employment programs started at a local level offering jobs prospects; qualification/professional training opportunities and terms to be carried out in order to take part in the courses.

In Romania, labor mediation centers have had to face a series of difficulties regarding: the activity's new characteristics, both for mediators and for their clients; lack of personnel properly trained for such an activity; improper material resources, especially adequate environments for the mediation activity; the increasing number of unemployed persons and the numberless problems to be settled; the timid relationships with companies and jobs suppliers; clients' reticence to resort to the services offered by mediation centers.

Due to the part played by this service with a view of matching labor demand and offer, we consider it necessary that decisional factors should pay the proper attention in order to develop such centers in the future.

Counseling, in general, is known as a wide spread and varied *professional service* in developed countries having a market economy and targeting a large category of persons or

organizations belonging to various economic fields: public institutions, private or State small, medium or large companies, non-governmental organizations.

The Association of Companies Management Counseling in the U.S.A. (ACME) defines management counseling as a “service performed in exchange of a fee by independent and objective specialists that support the management of the companies and institutions with a view of attaining their goals and rationally and properly developing their activities.” Business counseling as a professional service has the following essential goals: improvement of entrepreneurial spirit; entrepreneurial training addressing to a large number of persons apt or wanting to start their own company; stimulation of the creativity, flexibility, and work capacity of private business men/women.

We consider that the initiation of business counseling centers with a view of implementing active measures capable of fighting against unemployment is a logical and welcome measure especially under our country’s present-day circumstances. The better organized and managed such a center the most the positive effects of its activity are going to be felt in the area it is active. Permanent results may consist in:

- ✦ a larger number of new private companies successfully operating and determining the development of the private field;
- ✦ development of the amount of the economic activity of the existent private companies (an increased financial result, more profits, etc.) and an increase of their quality indices (increase of productivity, profitableness, of quality and competition level of their products and services);
- ✦ a larger number of persons who gained or improved their management skills;
- ✦ and, as a corollary of such results, an increased number of jobs that are more stable, and a decrease of unemployment rate.

In essence, in our opinion, the main goals that should be noticed with a view of decreasing unemployment are the following ones:

- ✦ Determining opportunities for long-lasting employment; with this in view, regional development programs play an important part;
- ✦ Training and re-qualifying not only unemployed persons but also those who work in State companies which are to be restructured;
- ✦ Shifting the part played by unemployed persons protection policies from passive measures towards active measures;
- ✦ Giving facilities to those unemployed persons who get a job through their own efforts; we consider this could be a quite inciting measure with positive results;
- ✦ Increasing the degree of implication of local communities in the issue of diminishing unemployment rate (e.g. limited period facilities – regarding taxes, fees, services, etc. - given by local town halls to the companies that hire unemployed persons);
- ✦ Giving the required attention to the notion of “permanent education” throughout one’s whole life and even to the notion of “e-learning”.

Taking into account the above facts we sustain that:

- ✦ Labor employment cannot be done by market games as it is known that labor market is the most imperfect of all markets;
- ✦ Employment issue cannot be superficially treated only according to the elaboration of theoretical programs as the degradation of the quality of human resources due to unemployment and lack of use determines chain budget constraints, weakens individual social security, and, under the circumstances of the accumulation of a critical mass, it determines ample social movements;
- ✦ A close connection should exist between the need of competent human resources and the proper financing of creating and developing human resources as otherwise e-capitalization effects of human capital are going to come out;
- ✦ At the same time, a proper correlation should exist between legislation in force regarding employment and unemployment and the management of the policies resulting out of that legislation;

- ✚ Last but not least, employment, unemployment prevention and struggle against it demand a balanced relationship between the active and passive policies of labor market, abandoning certain mechanisms (important compensatory payments) having minor positive effects or short term effects; investment and fiscal policies are to be conceived together with policies of supporting labor employment of generating stable jobs.

In our opinion, with a view of decreasing unemployment and increasing the degree of labor employment, they should search for a manner of matching and combining economic mechanisms, means, measures, and policies that owing to their common action are able to provide the carrying out of the envisaged goal with lower economic and especially social costs.

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