

ANALYSIS OF THE ECONOMIC CRISIS EFFECTS ON LABOR RESOURCES

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Abstract:

The financial crisis has had a strong impact on the economy, the latter being characterized by a slowdown in growth with immediate effects on the population, on businesses and on the number of new jobs as well. The crisis originating from the United States has complex effects on the European economies and the EU is facing a slowdown in economic growth.

The effects of the global crisis have had a strong impact on the capital market and on the labor market as well.

Beyond a global financial crisis, a global shortage in new jobs represents an important issue.

Key words: economic crisis, capital market, labor resources.

JEL classification: J01 - Labor Economics: General

The effects of the economic and financial crisis on the economy were strongly felt in Romania and the economy as a whole was affected by a significant slowdown in growth, which affected people, businesses and workplaces. Management of the human resources can become very important with respect to the decisions that have to focus on the interests of the company but also those of its employees [3].

The European Central Bank increased interest rates up to the level of 4.25% in an attempt to combat inflation that is significantly above the 2% target level. The economic crisis had complex effects on European economies, and EU is facing a slowdown in economic growth.

At European level, the effects of the global crisis were felt strongly in the capital market and the labor market. The financial crisis effects on the capital market mainly consisted in [1]:

- Influences over the legal boundaries regulating the capital market. The crisis had as an effect the emergence of enhanced control measures over the remaining areas outside the influence zones of central banks or supervisory committees of capital markets.

- Effects on financial institutions. The financial crisis has resulted in large bankruptcies, restructuring of companies and financial institutions, mergers etc.

- Influence on the behavior of investors in the market. Due to the existing uncertainty in the capital market, investors radically changed their investment option. This fact has had a direct impact on the cost of capital and financial interests.

- Effects on stock exchange quotations. There was a decrease in the volume of stock exchange transactions, but also a change in stock yields associated particularly to variable income instruments [1].

In the European financial system, just as in the U.S. counterpart it was necessary to supply liquidities by the central banks towards the affected financial institutes, mainly through the European Central Bank. Also, at international level, various rescue

plans were developed, grants and equity participations, public guarantees, improving bank deposits insurance and so on.

However, due to the fact that consumer and investors confidence has been affected, some measures were necessary to boost the internal market, to stabilize the labor markets and also to support low income people.

As a result of the economic crisis there is a new gap between the countries where there is a decrease in production, a rapid increase of the unemployment rate and a reduction of revenues, on the one hand, and those that have good resistance to the crisis, on the other hand.

Unemployment is one of the macroeconomic indicators that reflect directly on the lives of citizens. The global economic crisis led to a substantial increase in the number of those who have lost their jobs as well as those with low salaries.

In the EU there has been an increase of the average unemployment rate to nearly 14% [5].

There are great differences regarding the unemployment rate between the north and south part of the Euro zone. In EU member states that implemented substantial reforms in order to boost their labour markets, a much higher probability for unemployed people to find new jobs has been maintained even during the time of the crisis.

Some categories of population are more affected by the effects of the economic crisis, namely: young people, unemployed women and single mothers. These categories may face greater risks of living in persistent poverty.

The real gross revenue available to population households decreased between 2009 and 2011 in two thirds of EU countries for which data are available, the most dramatic decreases were registered in Greece (17%), Spain (8%), Cyprus (7%) and Estonia and Ireland (5%). This development is totally different from the situation observed in most of the the Northern countries, Germany, Poland and France, where social protection systems and labor markets have allowed continued global revenue growth during the crisis [5].

Wages are also the ones that supply the revenues through which people purchase goods and services. Reducing wages may diminish the internal demand for companies' goods, which could lead to layoffs. In Europe, in the last 10 years, a decrease was registered in employees' contribution to the total revenues generated by the economy and at the same time, increased the difference between well-paid jobs and the ones poorly remunerated. At the same time, a considerable remuneration gap can be noticed between women and men (16.4% on average in the EU in 2010), a difference which tends to increase with the age of the employee [5].

In countries with higher minimum wages were registered the highest rates of employment opportunities for people with low level of qualification and no layoffs were made in these categories.

On the labor market is necessary to ensure decent and sustainable salaries and at the same time to avoid the risks corresponding to low salaries.

It is also necessary that jobs to be held by people with adequate skills. In some EU countries the correlation between professional training and workplaces is inadequate and even worsened as a result of the economic crisis. However, there are a large number of young people who have no professional training and which are not in any educational or training program.

In order to try to avoid these issues these countries have to efficiently redirect investments towards education and professional training and to encourage the creation of new jobs in sectors with a positive growth.

In the future, those looking for a job will have to contact employers that seek certain types of professions in all Member States. It is also necessary for those countries to emphasize some sectors and occupations facing a shortage of qualified workforce and to encourage mobility programs for younger people.

In Romania, for instance, a reduction in the average number of employees was reported most probably due to the economic crisis.

Table 1 Average number of employees by activities of the national economy

Activity	2009	2010
Agriculture, forestry and fishing, of which:	110	95
- women	28	23
- men	82	72
Industry, of which:	1371	1237
- women	585	525
- men	786	712
Total national economy, of which:	4774	4376
- women	2232	2085
- men	2542	2291

Source: Romanian Statistical Yearbook, 2011

The presented data shows that in 2010 compared to 2009 there has been a reduction of the annual number of employees in the entire national economy, as well as in industry and agriculture. Also, there is a decrease in the number of employees among both women and men. On total economy, the average number of employees is higher among men than women, the greatest differences being in agriculture.

In terms of the number of unemployed persons and the unemployment rate in Romania, there is the following data:

Table 2 Number of unemployed persons and unemployment rate

Indicator	2005	2008	2010
Total number of unemployed persons	522967	403441	626960
- of which women	219224	187228	264401
Unemployment rate (%)	5,9	4,4	7,0
Unemployment rate among women	5,2	4,4	6,3
Total number of persons included in professional training courses	59780	59703	39987
- of which fell within the activity	16276	8924	6713

Source: Romanian Statistical Yearbook, 2011

From the data presented we can observe that in 2008 compared to 2005 there was a decrease in the number of unemployed, and in 2010 there was a massive increase in the number of unemployed persons as a result of the economic crisis.

The same trend is maintained among women. The unemployment rate decreased slightly in 2008 compared to 2005, and in 2010 it increased quite a lot, reaching 7%.

Table 3 Revenues and expenditures of population

Indicator	2008	2010
Total revenues of households	2131,67	2304,28
Cash incomes	83,1	83,9
- gross salaries and other salary rights	52,1	49,3
- revenues from agriculture	2,5	2,8
- revenues from social activities	21,6	25,7
Total expenditures of households	1915,19	2062,95
- expenditures for purchasing food and beverages consumed	22,2	22,1

- expenditures for purchasing non-food goods	22,4	22,1
- payment of services	17,3	18,2
- investment expenditures	2,1	1,5
- taxes, contributions and fees	15,8	15,7

Source: Romanian Statistical Yearbook, 2011

From a geographical point of view, the labor market may refer to a relatively limited area, a larger area or even the entire national economy. This aspect is closely linked to the training and qualification of the given workforce [2].

The difficulties in the labor market, due to reduction of activities were felt especially at the level of the unemployment.

Regarding the number of people who attended professional training courses, their number decreased drastically in 2010 compared to 2005. We can also observe that from the total number of persons included in professional training programs only a fraction fell within the activity.

Significant changes were registered regarding the revenues and expenditures of population in Romania, as a result of the economic crisis:

From the data presented it is noted that during the period 2008-2010 there was a slight increase in total household revenues. The cash incomes registered a slight increase, as well as the revenues from agriculture. On the other hand, gross salaries and other salary rights have declined slightly. This raise of cash income is the effect of the slight income increase in the agricultural sector as well as from social activities.

Regarding the total household expenditures they also registered an increase in 2010 compared to 2008. We can observe the fact that there was a decrease for expenditures for food and non-food goods and also investment expenditures. The expenditures with the payment of services registered a growth during the analyzed period.

The entrepreneurial sector has an important role in economic recovery, it largely contributes to creating jobs and thus to the generation of demand on the domestic market. However, to overcome the crisis it is necessary to undertake a restructuring of the international finance system and also a more efficient organization of financial markets.

In order to improve the labor market situation more reforms are required. When inflation exceeds salary weightings, adjustments have to be taken to the amount of the salaries. In case the inflation is growing at a slower rate than the growth of the salaries, this adjustment is no longer required, and thus, on long term, productivity is reduced.

The required reforms in the labor market differ from country to country. The companies that kept employees on jobs even during the crisis, in terms of lower salaries, will participate more slowly to the resumption of economic growth [4].

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