

INDUSTRY DYNAMICS AND THE CHANGE IN THE OCCUPATIONAL PROFILE OF POPULATION IN BRAȘOV, RÂMNICU SĂRAT AND CÂMPULUNG MUNICIPALITIES

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After 1989, the transition process, by means of which Romania went over from a planned economy to a market economy has involved a constantly changing of the dynamics of industry, and hence, of the occupational profile of the population in all areas of the country, regardless of population size and of the level of economic development. The main processes that have led to changes in the industrial profile of the cities were economic restructuring and privatization, in most cases accompanied by de-industrialization and economic decline.

The transition from a socialist economy to a market economy, involving a process of significant restructuring, is an ongoing continuous phenomenon.

Key words: *industry, population, economic restructuring, employees, economy.*

Introduction

Until 1989, Romania, like other former communist countries of Central and Eastern Europe, developed an economic system based on the monopoly of state-ownership, characterized by centralized economic structures – super-centralized management, a reduced proportion of private property, neglect of social needs and an increased share of the secondary sector. The enforced development of manufacturing and energy industries led to the emergence of industrial giants in urban centers and to the underdevelopment of the tertiary sector.

After 1989, the process which has brought about the country's transition from a planned economy to a super market economy has involved constant change in the dynamics of the industry, and hence, in the occupational profile of the population. Restructuring and privatization are two essential components of the process of transition to a market economy, two fundamental components of the economic reform.

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The economic restructuring is part of the transition process aimed at economic reform, with a view to creating a functional market economy. “The restructuring process performance targets both the internal and the external competitiveness of the market economy.” (Marin *et al.*, 2005).

The industrial restructuring specific for the process of transition is marked by gradual dissolution of the mode of production and its gradual replacing with another, by the change of operating mechanisms, of the political, legislative and financial concepts and of the relations between levels of decision. (Popescu, 2000)

The actors involved in the process of restructuring are: the capital (industrial enterprises, companies, different industries), the labor force (employees, trade unions) and the state (government, economic policies, legislation). The process of restructuring may target/involve the diminution of personnel and/or in the number of business units, a higher specialization of the company (by removing those businesses that are not related to the core business of the company), the buying of companies burdened by debt, the liquidation of those highly intensive industrial units, resisting against attempts of upgrading or adjustment to new markets and last, but not least, industrial de-location involving first of all strategic land planning.

In the Romanian industry, in most of the cases, the process of restructuring and privatization has led to de-industrialization. De-industrialization is “a process of reducing the number of units of industrial enterprises and of industrial employment in urban centers” (Candea *et al.*, 2006). In the scientific literature, the de-industrialization phenomenon was defined by Rowthorn (1997) as “the decline in industry employment as a percentage of total number of employees”.

1. Industry Dynamics in Râmnicu Sărat

Throughout the communist period and especially between 1951-1989, when the national economy development was conducted based on the five-year plans, which supported huge investments in industry, Râmnicu Sărat has registered a significant progress in economic terms. After 1968 in south eastern Romania an industrial site took shape, perhaps too large for a medium sized town, namely Râmnicu Sărat. On this location, in the framework of the rigid, centralized system specific for the socialist economy, a range of goods was manufactured: cigarettes, iron castings, fasteners for the electrical industry, brake linings, friction and sealing rings, furniture, regenerated mineral oils, diesel and fuel oil, mixed fodder, canned meat, vegetables and fruits. (*Fig. 1*)

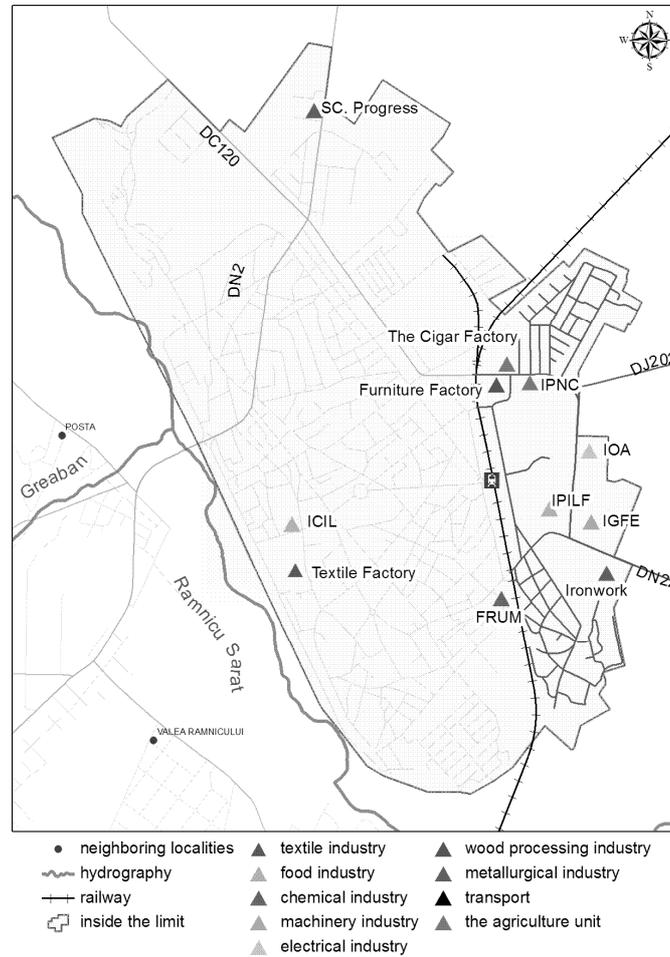


Fig. 1. Industrial area of Râmnicu Sărat during the communist period

The changes in the economy after 1990 entailed by the process of restructuring and privatization are reflected in the industrial sector and the labor market of the city by: loss of employment security, decrease of employment diminution of and significant increase of unemployment, downsizing of the activity rate and even closure of many enterprises, the emergence of areas of brownfield type. (Fig. 2)

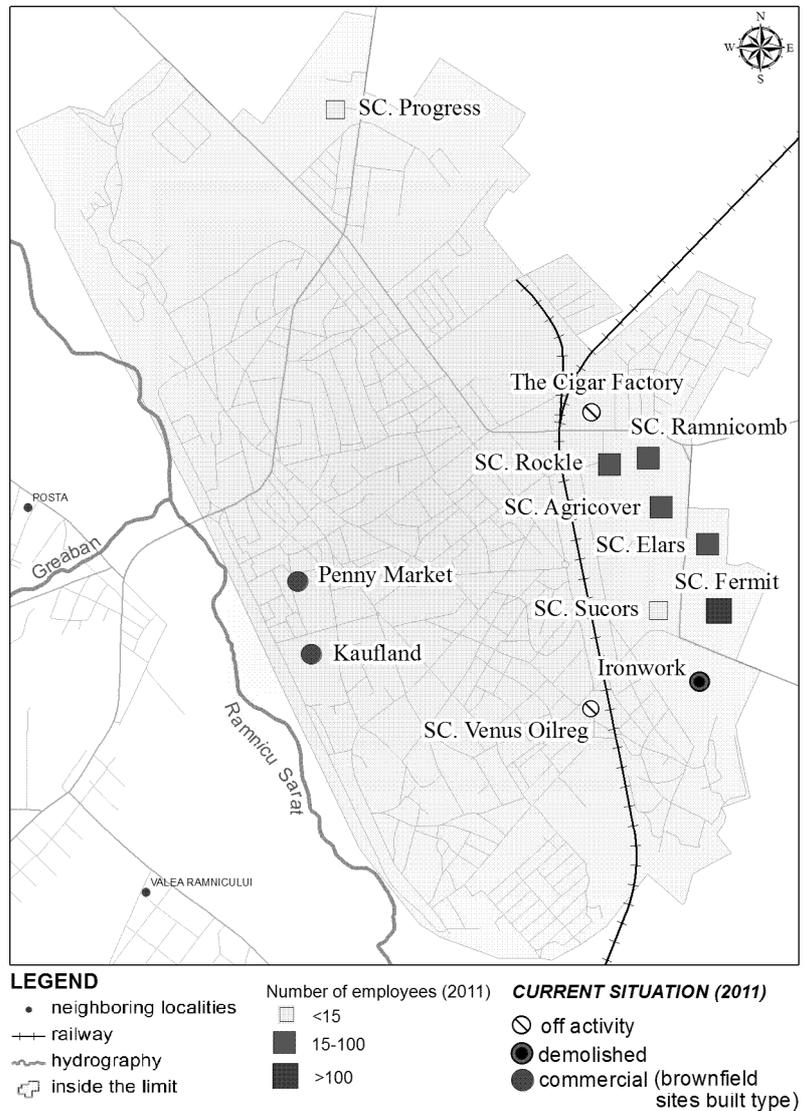


Fig. 2. Commercial areas built on brown-field type of sites

Statistics on the number of employees in the studied town's economy highlight a continuous increase in the number of employees between 1960 and 1990. (Fig. 3)

The dynamics of the number of employees in the period 1991-2009 shows the reaction of the town's economy to the changes coming after 1990. The lay-offs started in the years 1991-1992 affected all the economic sectors of the city.

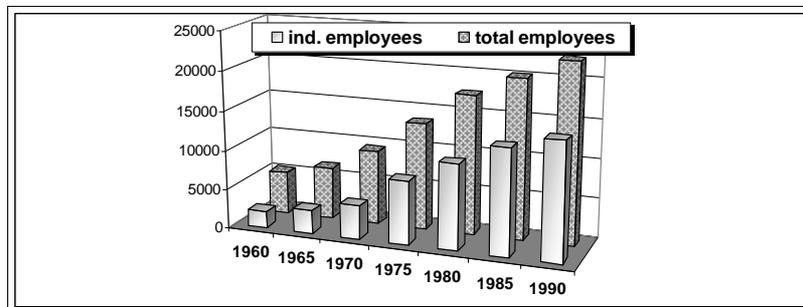


Fig. 3. Evolution of the number of employees in industry and of the total number of employees. Source: DJS Buzău

Throughout the period 1991-2009, the evolution of the number of employees registered a decrease of 60, 5 percent (from 15,396 employees in 1991 to 6074 in 2009). This development indicates an obvious downturn in the economy and a high level of de-industrialization. (Fig. 4)

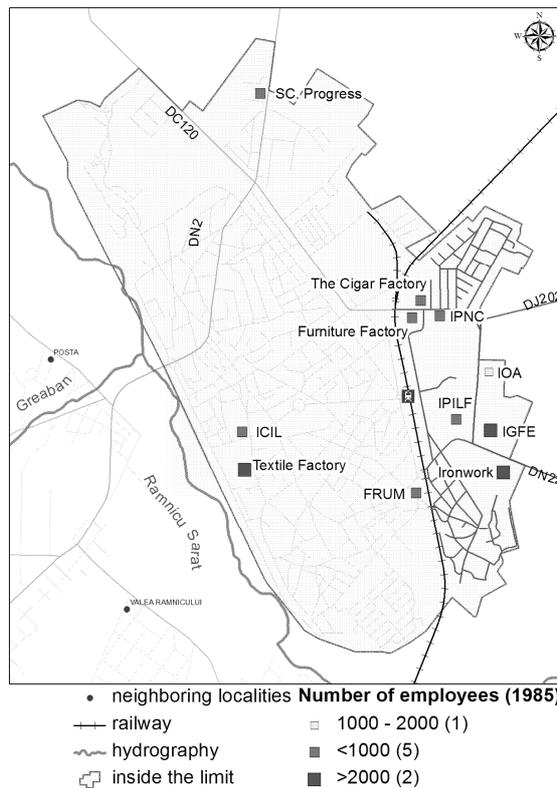


Fig. 4. Number of employees of the businesses in Râmnicu Sărat

2. Industry Dynamics in Braşov

The post-communist period is characterized by several stages in the economic evolution of the city of Braşov.

The years 1990-1995 saw a relative stability of state-owned companies. It was a period that witnessed several labor protests and lobbying to maintain the number of employees even if the labor productivity had dropped significantly. There was a slight increase in employment in these companies and an increase in production. The turnover, however, fell by about 50 percent. Private companies were limited, with few employees and a low turnover. They had as main profile especially wholesale and services.

The years 1996-2000 are characterized by a dramatic fall of the employee's number and by the unemployment's rise to alarming levels. It reached unprecedented values, i.e., more than 8 percent. State-owned companies reduced their number of employees and the smaller ones were closed or privatized. It is the period in which the scales are tipped in favor of private companies and 55 percent of the gross domestic product is contributed by the industry.

After 2000 the economic situation reached an equilibrium in Braşov. The number of foreign investments rises, this being the period in which many foreign-owned companies set up branches in Braşov. The number of unemployed decreased until it reached the point of labor shortage. There was a rise in the number of small- and medium-sized enterprises, due to tax incentives offered by the state.

Until 2008 Braşov economy followed an upward trend, the boom period being the one from 2000 to 2008. During this period the most important growth is to be observed in the service sphere, but also in some industries. The wood processing industry made a spectacular leap. The raw material is provided by the domestic timber production, provided by the large forest areas in the county of Braşov, but also in the neighboring counties.

Other branches that have been on an upward trend belong to the food processing industry, due to increased consumption in this period. Romania's economic policy has encouraged consumption in all areas, which led to increased productivity in all sectors that create consumer goods.

On close examination of the sectors of the economy, it is noted that in 2009 there was a total of 34 companies in the farming sector, 940 companies in the manufacturing sector, 1273 construction companies, 4422 trade companies, 4561 companies providing services and 660 companies providing transport services. If we were to make a comparison with 1990, the obvious conclusion to be drawn is that there was an increase in the number of companies and a decrease in the number of employees in these companies.

The share of economic branches has changed radically in the period of transition. In 1990 industry represented 56 percent of the total economy of Braşov. At the end of 2009 the share of industry in the city's economy was of only 7.9 percent (*Fig. 5*).

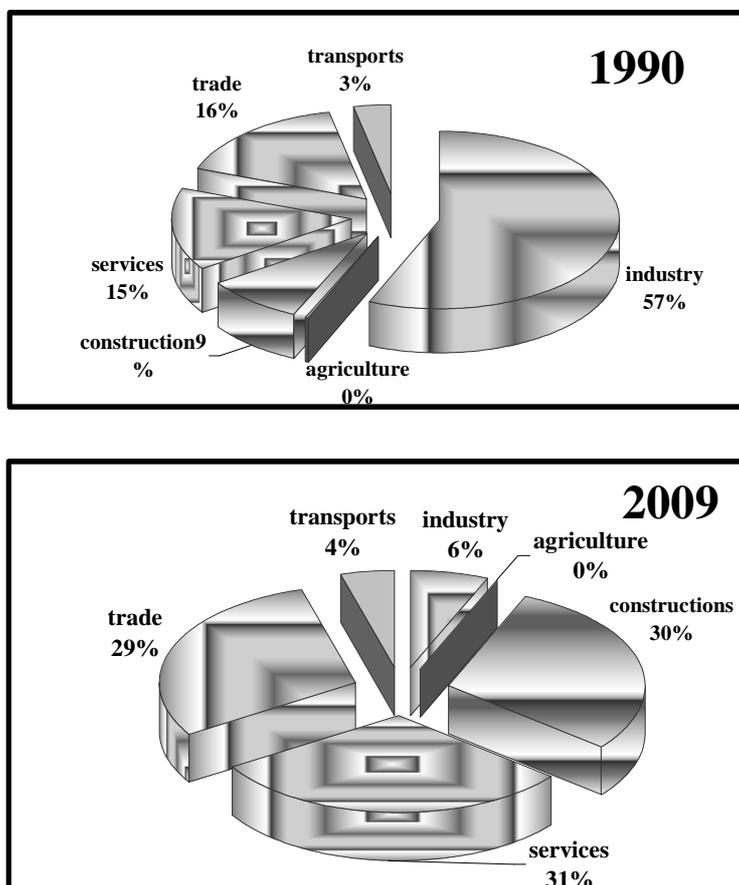


Fig. 5. Share of economy branches – Brașov

According to the graph chart above, services rank on the first place in the economy of Brașov. Of these, tourism plays an important role, with a large number of companies that have as their main activity tourism. Of the 4530 companies providing services, 691 companies deal in tourist activities, i.e., 15 percent of all available services. Considering all the economic branches tourism represents only 5.8 percent, a small percentage compared to the natural and human resources within the area.

Trade ranks second, retail taking the upper-hand. The two branches of the national economy exceed 60 percent in the framework of the economy of Brașov. Thus, we can conclude that the tertiary sector is prevailing in the economy of Brașov. Construction activities suffered a major setback after 1990, managing to recover only after 2005. At present, as a consequence of the collapse of industry, trade companies have come to rank third among the branches of the economy of Brașov. At the

opposite end one should remark companies involved in food farming with a share of only 0.2 percent. Compared to 1990, there are significant changes as shown in the chart below.

The number of employees varies according to the changes occurring in the city's economy. The total number of employees registered in the municipality of Braşov increased slightly by 1.4 percent in the years 2000-2002. In 2002 the highest number of employees in the city was recorded in manufacturing (42.8 percent), followed by trade (14.1 percent).

In 2009 the structure of employees by sectors of the economy was distributed as follows: agriculture 0.6 percent, industry 25.8 percent, construction 15.6 percent, commerce 27.5 percent, services 27.3 percent, other 3.2 percent. (*Fig. 6*) It is noted that most of the employees work in the sphere of trade and services, more than 50% compared to the industry, where the employees' share represents only a quarter of all employees.

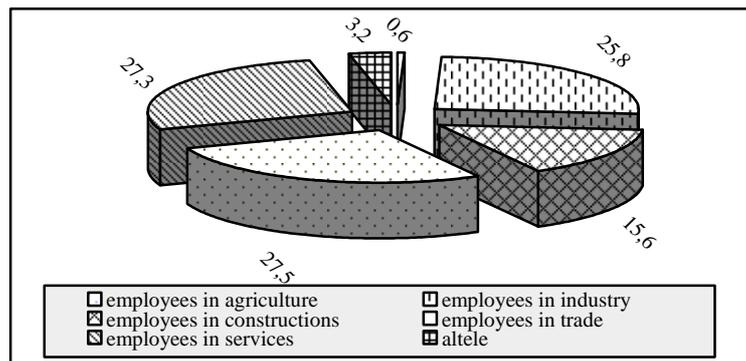


Fig. 6. Share of employees on economy branches – Braşov 2009th

3. Industry Dynamics in Câmpina

Clearly dominated, prior to 1990, by industry, mainly machine building industry, the economic structure of the area of Câmpulung depression has undergone profound changes during the period that followed, entailing negative effects on both productivity and employment rates.

The development of industrial activities in the socialist, respectively, communist period, generated and supported the transfer of labor from agriculture to industry. The complex transformations in the political and economic field occurring after 1990 following the transition to a market economy through privatization, have led to reduction and afterwards to disruption of its capacity of industrial production.

The downturn of the industry has left its mark on the manufacturing activity carried out on the three large industrial sites, the ARO Automotive Company, the Artificial Yarns and Fibers Mill and the Mining Company.

In the early 90s over 13,900 people were employed in the traditional automotive manufacture, i.e., about 50% of the existing labor on the local labor market.

Since 1966, when the first SUV model was designed, until 2002 there were over 360,000 cars manufactured. Before 1990 more than 90% of production was exported to over 110 countries. By diversifying models, an annual output of 13,104 pieces was reached in 1978, compared with the period after 1990, when less than 3000 pieces (in the year 1999) and only 1,000 (in 2002) were manufactured. For reference, in the same years the number of employees dropped from 7,500 in 1978 to 3,840 in 2002.

The attempt to re-launch the manufacturing activity by dividing the company into five companies failed and the investment in upgrading worth 2 million Euro, provided under the privatization contract in 2003, never materialized.

Object of several subsequent commercial transactions, the automotive company's site with an area of over 48 ha was then turned into the Câmpulung Industrial Park. Following the rehabilitation of its infrastructure, the industrial park currently disposed of production facilities and storage areas between 1,000 and 30,000 square meters, its own railway track with a length of 3.5 km, an office area and conference rooms with a total area of 3,500 sq. m.

The Nobel Automotive Company, with the largest share of economic activity in the park, at present manufactures components for the automotive industry.

The Synthetic Fibers and Yarns Mill, were classified, after a series of unfavorable total external contracts, among the first 10 state-owned firms to be liquidated, registered laid off of over 2,000 employees, and display an abandoned site in an accelerated process of decay, in spite of the fact that twenty years ago they had the most modern technology to produce synthetic fibers in the country.

The Câmpulung Mining Company has, in its turn, been affected by the negative effects of the national policies pertaining to the mining sector. Thus, so far until total cessation of activity, the Company has fired over 5,000 employees.

The mismatch between the components of economic reform, the restructuring measures which once implemented proved to be ineffective, the low degree of efficiency and competitiveness and the high energy consumption are just some of the causes that led to the economic decline of the industrial sector, which thus became the main branch generating unemployment (*Fig. 7*).

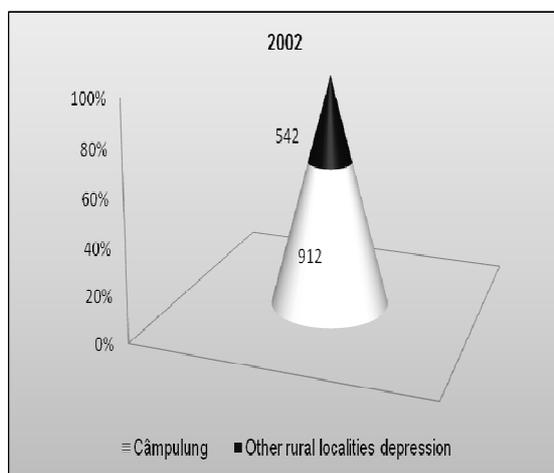


Fig. 7. Number of unemployed in the town of Cămpulung

Analyzing the collected statistical data, (Fig. 8) it can be concluded that a decrease by 57 percent in the proportion of people employed was registered in 2008, when the recorded average number of employees in total economy was of 11,052, compared to 1991, when their number was of 25,507.

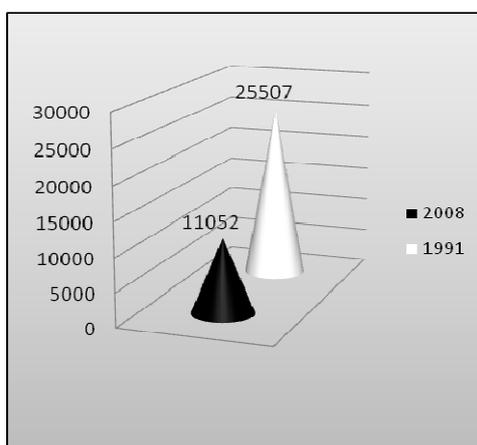


Fig. 8. Number of employees registred in Cămpulung

Of the four major industrial giants, only the former Binders Factory, today S.C. Holcim (România) S.A. – Cămpulung Cement, located at Valea Mare Pravăț was successfully privatized.

Simultaneously with the decrease in the number of former state enterprises, the private sector has developed, a vital factor in the functioning of market economy, by the constantly positive evolution of the number of small- and medium-sized enterprises.

Thus, if in 2002 there were 1431 traders operating on the market, in 2006 there were 2138, while in 2008, their number exceeded 2500 (*Fig. 9*).

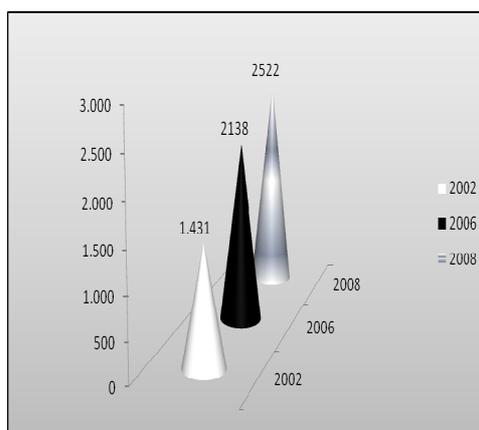


Fig. 9. Number of economic agents in Câmpulung

The poorly developed tertiary sector before 1990 has followed an upward curve, thanks to the new possibilities for diversification of the economic profile, with significant growth in trade and retail businesses, finance and banking, insurance, consulting, telecommunication and education.

The significant and growing share held by trade activities in the town's economy is supported by companies engaged both in retail and in wholesale trade, the retail market being provided by shopping malls and supermarkets such as Lidl, Penny and Kaufland.

The main branches active in the local industry are those manufacturing: car components – SC Complete Automotive Systems SA, plastics – SC PETKING SA, SC Duton Muscel Plast SA, hand tools, MG SRL SC Montana, building materials – SC Ceramus SA, medical instruments, pharmaceuticals – SC Velfina SA, wood products, textiles, food. Following the privatization of the former ICIL, the Danish dairy producer Nordex Food has made significant investments in renovating and refurbishing the old Lactag Factory.

The accessible opportunities for local entrepreneurs have led to some timid attempts to re-launch local tourism. Thus several tourist guesthouses have been set up, most built by European funding programs. In the framework of the extensive program called “Jezer Tourism” in present in its early stage, the first ski track in the area was inaugurated on Matau Hill, at an altitude of over 950 m.

The economic and human resources, the geographic position and the business opportunities which oriented and made investors decide to develop businesses in this area may still represent favorable conditions to attract foreign investments in the future.

Conclusions

The period of restructuring affecting the economy of the analysed urban areas displays as its main feature an increasing number of companies, mostly privately owned, the closing down or privatization of state-owned companies and the decrease in the number of employees in all fields. If in big cities, such as Braşov there is a prevalence of the economy of services, in small towns, such as, Râmnicu Sărat, the share of the tertiary sector is still fairly low.

The changes in the economy after 1990 due to restructuring and privatization processes are reflected in the industrial sector by reduction of the activity and even the closure of many businesses, which led to the emergence of brownfields.

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