

# ECONOMIC RESTRUCTURING AND UNEMPLOYMENT DYNAMIC AND THEIR CONSEQUENCES ON THE GENERAL POPULATION. CASE STUDY ROMANIA

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## *Résumé*

Les politiques économiques adoptées après 1990 en Roumanie (touchant principalement l'industrie qu'il en soit du simple volume d'activité, de la réorganisation des capacités de production, de restructuration et de réorientation des flux technologiques, ou de la reconversion de la main d'oeuvre) ont déterminé des changements dans les relations qui existent entre les composantes démographiques, sociales et économiques. Les objectifs de cette étude sont d'identifier les facteurs qui ont mené à l'apparition de régions défavorisées, de déterminer les effets du chômage sur les ressources humaines, et d'analyser l'évolution de la tendance socio-économique. La recherche effectuée à la fois au niveau macro-territorial (national) et au niveau micro-territorial (les régions de développement du pays) a montré l'existence de régions vulnérables créées principalement à cause d'une restructuration économique. Dans ces régions, les taux de chômage furent constamment très élevés durant toute la période d'analyse avec à la fois des effets à court terme et à long terme sur la population générale.

**Mots-clés:** restructuration économique, chômage, régions défavorisées, vulnérabilité sociale.

## **1. Introduction**

When analysing economic restructuring and Romanian economic restructuring in particular, one needs to consider the apparition of disadvantage areas, unemployment, and finally yet importantly, the social and economic effects that these processes have on the general population. The problem of unemployment was studied in the specialized literature with reference to vulnerability of the market, economic profile dominated by agriculture, industry or services, or economic crisis (Fisher, 1939; Kuznets, 1966; Clark, 1957; Beyers, 2012; Beyers, 2013; Davidescu *et al.*, 2013). A direct consequence of unemployment was more easily visible within the regions having a single

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industry specificity, as they were subsequently affected by poverty because a professional reconversion of the population didn't prove to be viable (McGregor *et al.*, 1995; Bak, 1997; Midgley, 1997; Firebaugh *et al.*, 1998).

The reader must understand that unemployment is a recent phenomenon in Romania as before 1990, during the communist regime, the economy was planned due to it being considered a risk free policy. Economic, especially industrial, restructuring undertaken in Romania after 1990 led to the apparition of vulnerable sectors, which later gave birth to disadvantage areas. The purpose of these disadvantage areas was to attract investors by diminishing or eliminating some taxes and offering other fiscal facilities but only a few of them were actually implemented by the state. The most vulnerable of these areas were those that specialized exclusively on mining and those where huge metallurgical, chemical, or engineering compounds were located. These areas are presently in recourse. As a result, between 1991 and 1999 the population engaged in industrial activities in Romania decreased by 48% (Câdea *et al.*, 2009).

Worldwide, the resulting high unemployment led to the increase in unoccupied population, as well as a strong international out-migration of active population from the former communist countries towards Western Europe (Blazek *et al.*, 2012).

Social vulnerability became a common phenomenon in the areas that didn't benefit from economic reconversion as they were soon affected by poverty. The effects of economic restructuring done in Romania after 1990 closely relate to the international evolution of the economic indicators as well as the internal economic expectations (Trif, 2008). Between the years 1991 and 2011 important changes took place in the country, aiming to capitalize on a series of major industrial colossus or other state own societies. All these took place on the background of Romania taking steps to ad here to the EU (Kohl *et al.*, 2004; Marginson *et al.*, 2004; Marginson, 2006; Drahokoupil *et al.*, 2010).

The tendency of economic increase or decrease is influenced by the European or global economic tendencies, and the 2008 economic crisis strongly affected the country's internal economy, a direct effect was the bankruptcy of many enterprises and an increase in unemployment rate (Goschin *et al.*, 2010a; Goschin *et al.*, 2010b).

## **2. Purpose of the Study**

The present study aims to analyse the evolutionary trend of the socio-economic Romanian scene after the year 1989, during a continuous process of restructuring, strongly influenced by the economic crises. They were in turn a direct result of the transition from a centralized economy to a market economy. The objectives of our research included: identifying the factors that led to the apparition of

disadvantaged areas, pinpointing the effects of unemployment on human resources, and analysing the evolution of the socio-economic trend.

### **3. Methodology**

The study was based on the analysis of data collected from the Romanian Institute of Statistics that included data regarding the total population, demographic evolution, activity rates for the Romanian workforce, employment rate, and infant mortality rate.

The main research methods used in this study were the observation method, the investigation (interview) method, and the statistical analysis method. Direct observations made in the field aimed to identify the main socio-economic features of the population, opinions regarding the living conditions balanced with the main economic activities, as well as the economic development of the sample localities.

The interview was used as the main research field method in order to explain the causality of the phenomena previously observed through the statistical analysis method. The interview guide consisted of a series of questions referring to: the county's economic (specifically industrial) specificity during the communist period; restructurings that the economic units went through and the time period they took place; causes of unemployment; presence and specificity of migrant flows; causes of migration as well as preferred destinations; presence of population groups affected by extreme poverty; main investments undertaken after 1989; presence of professional reconversion programs or whether or not development strategies were implemented. The interview guides was applied on 42 official representatives from mayoralties of each county of the country and were taken between June 2013 and January 2014. The interviews were done with local public figures from each county due to their double capacity as information providers: their official position as decision factor for the area and the unofficial position of citizen of that respective area.

The statistical measurement method was used in order to calculate the social-economic evolution index for which four variables were considered: workforce resources, infant mortality, activity rate of workforce resources, and unemployment rate. In order to obtain a viable comparable analysis scores from 1 (one) to 5 (five) were given that would reflect the risk degree for each of the chosen variables:

Table 1

## Components of the social-economic evolution index

	<b>Workforce resources</b>	<b>Infant mortality</b>	<b>Workforce activity rate</b>	<b>Unemployment rate</b>
<i>Score 1</i>	<150 000 inhabitants	< 5%	> 90%	< 3%
<i>Score 2</i>	150 000-249 999 inhabitants	5-9,99%	80% – 89,9%	3-9,99%
<i>Score 3</i>	250 000-499 999 inhabitants	10-19,99%	70% – 79,9%	10-14,99%
<i>Score 4</i>	500 000-999 999 inhabitants	20-29,99%	60% – 69,9%	15-19,99%
<i>Score 5</i>	>1 million inhabitants	> 30%	< 59,9%	> 20%

It was considered that areas with numerous workforce resources have a higher risk factor because a numerous population can create economic imbalances if a general economic restructuring process takes place. As such, risk values of 5 were given for areas with more than 1 million people.

Another variable taken into consideration was infant mortality, as it is an internationally accepted indicator for living standards; the lower the infant mortality is the better the living conditions are in general. The authors considered that values above 30% incur the highest risk factor and get a score of 5.

As for the activity rate of the workforce resources, values higher than 90% received a score of 1, values between 80% and 89.9% a score of 2, values between 70% and 79.9% a score of 3, values between 60% and 69.9% a score of 4 and values lower than 59.9% a score of 5.

High scores were also given to areas where the unemployment rate registered high values with the highest scores being awarded to counties where the unemployment rate reached values over 20%.

Corroborating all these scores led to the socio-economic evolution index represented in figure 2. The index was calculated for the time period between 1991 and 2011 and four intervals were considered: low decrease, moderate decrease, high decrease, very high decrease.

The authors used ArcGis 9.3 for the construction of the maps.

#### 4. Disadvantaged Areas, Consequence of the Deindustrialization?

##### 4.1. Economic Territorial Disparities in Romania

Disparities in terms of regional development were present in Romania even before the Second World War. Economic activities were concentrated in a

few areas, depending on the accessibility to mineral or energetic resources, industrial tradition or continuity, or a favourable position in relation to the main transport infrastructure (Bucharest, Prahova Valley, Hunedoara, Valea Jiului, Reșița, Brăila-Galați, and Constanța having the longest industrial legacy).

Romania's declared economic objective of "*diminishing the development differences between counties following the unique criteria of a maximum industrial development*" set its position in the landscape of centralized Central and East-European economies. The result was a forced industrialization of all the country's counties without any consideration for any rules of economic efficiency. This policy was established by way of an exaggerated diversification of industrial branches (without bearing in mind a balance between that industrial branch and the county's local economic potential, available resources, or economic specificity). One of the results was that in many localities, the population ended up relying on a single industrial unit, and usually it was a heavy industry branch, chemical, or machinery construction. The multitude of negative consequences were felt during the '70s, worsened during the '80s and amplified after 1990 (Câdea *et al.*, 2004).

Theses general and specific aspects of how the socio-economic development took place in Romania made for the country to have a unique position in the economic scene of the Central and East-European countries. At the beginning of the '90s, there were *five* distinct *major industrial areas* in Romania.

- The western area comprised of Timiș, Arad, Caraș-Severin and Hunedoara counties,
- The north-western area comprised of Bihor, Cluj, and Mureș counties,
- The central-south area, which was the most powerful and extensive one, comprised of Sibiu, Brașov, Argeș, Dâmbovița, and Prahova counties and Bucharest city,
- The southern area comprised of Dolj and Olt counties,
- The eastern area comprised of Galați and Brăila counties and the seaside area.

*The industrial areas in decline* are those where, between 1992 and 1998, the economic transition process led to the loss of a massive number of jobs especially in manufacturing and mining. These areas are located in the following development regions: North-East (Botoșani and Vaslui counties), South-East (Brăila and Buzău), South Muntenia (Giurgiu, Dâmbovița, Teleorman, and Călărași counties), South-East Muntenia (Gorj, Dolj and Olt counties), West (Hunedoara county), Centre (Brașov county).

#### ***4.2. Legislative Regulations and Instruments***

The territorial imbalances appeared due to a series of areas being more economically attractive than others were. At European scale, several countries

have areas that fall under this category. Many of them are located in former socialist countries, because the economic policies applied here were usually inconsistent with the demands of a market economy.

The criteria used in establishing the assisted areas in most of these countries included demographic data, workforce related data, income, and infrastructure (Dax *et al.*, 2000; Dax, 2005; Cooper *et al.*, 2006; Štolbová, 2006, 2007).

*Hungary* used the most complex sets of indicators (Bojnec, 2006; Cooper *et al.*, 2006): demographic; economic and infrastructure criteria for identifying the lowest levels of underdevelopment; various criteria relating to the labour market (unemployment and changes in the activity rate in the industrial sector) to define areas suitable for industrial restructuring; and indicators relating to migration patterns and income per inhabitant in order to establish the disadvantaged rural areas. A simplified version of this policy is considered in *Slovenia* (Bojnec, 2006; Svobodová, 2008).

In *Estonia* (Štolbová, 2007), the areas eligible for receiving regional financial help are defined by using a combination of labour market coverage indicators, income, and development potential, while in the *Czech Republic* (Svobodová, 2008) there are two different types of disadvantaged areas: the so called “structurally affected areas” that are established based on industrial labour market coverage, number of entrepreneurs, and unemployment and the “economically weak areas” identified using data relating to agricultural labour market coverage, population density, and taxing systems.

The regional disparities in Central and Eastern Europe caused by income levels, investments, and employment increased rapidly starting with 1989, especially when it came to the extent of regional economic fragmentation. The main disadvantaged areas corresponded to the old industrial zones that had once been the engines for economic development under the socialist regime of centralized economic planning.

In *Romania*, the existence of a very large number of areas with issues following economic restructuring and underdevelopment made it difficult to establish correctly and concretely the disadvantaged areas. Nevertheless, the legal establishment of the disadvantaged areas had to be done in order to start working on finding solutions for the problems these areas faced, like increased unemployment, low income, and severe out-migration flows which in turn led to depopulation, etc. and also to prevent the worsening even further of the territorial discrepancies.

The legal framework for identifying disadvantaged areas was initially established by the Ordinance no. 24/1998 approved and amended by the no. 20/1999 Law according to which disadvantaged areas were geographical spaces belonging to one or several administrative territorial units that comply with at least one of the following criteria: have single-industrial economic units that incorporate more than 50% of the available workforce; was subject to

collective layoffs as a result of liquidation or restructuring of a series of economic units which affected more than 20% of employees that reside in the respective area; the unemployment rate exceeds the national average by 25%; the areas are isolated and don't have a well-developed communication or transport infrastructure. the status of disadvantaged area was granted for a period of 10 years with the possibility of extending it further. The facilities given by law were meant to stimulate investments in order to increase the attractiveness of these areas.

Most of the facilities were gradually eliminated:

- The no. 345/01.06.2002 Law repealed the facility according to which economic agents that had a certificate of investor for disadvantaged areas were excused from paying custom duties and VAT when importing redeemable goods;
- The no. 414/26.06.2002 Law repealed the exemption from taxes for those commercial agents investing in these areas after July 1<sup>st</sup> 2002.
- The no. 678/19.02.2002 Law repealed the exemption from custom taxes for the import of raw materials necessary for processing and storing meat in disadvantaged areas.
- The no. 507/17.11.2004 Law redrew the following facilitations starting with February 19<sup>th</sup> 2005: exemption from paying custom taxes for raw materials and imported components necessary for own production in the area; exemption from taxes for modifying the destination of agricultural land used in undergoing the investment.

Practically the only available facility remained the exemption from taxes for profits earned from new investments, applicable to all legal agents that received a permanent investor certificate in a disadvantaged area starting with July 1<sup>st</sup> 2003.

As such between 1998 and 2003, 38 disadvantaged areas covering a total area of 16.737,95 km<sup>2</sup> and a population of 1.406.700 were established. This process had two stages and the areas themselves fall into one of two categories: 25 disadvantaged areas that were established between 1998 and 1999 and 13 disadvantaged areas that were established between 2000 and 2003.

The first category includes mainly mining and extracting areas, which are geographically isolated areas that have had a strong single-industry specificity over the years.

The necessity to restructure this industrial branch became obvious during the transition process towards a market economy, as it included a large number of employees, low labour productivity and high production costs.

The second type of areas (those established between 2000 and 2003) includes those areas affected by the restructuring process and massive layoffs in industrial sectors other than mining. They include mostly small towns, recently industrialized, where the industrial structures that attracted labour force from

surrounding areas were not strong enough to resist in the new competitive climate. The main supportive industrial units regressed and gave birth to a substantial rise in unemployment and disconnected those areas from the respective region's development process.

*Considering that the economic restructuring process was aimed mostly at the mining sector where a large amount of the labour force were made redundant, all the other 38 disadvantaged areas were established exclusively based on the percentage of unemployed population out of the total population (Cândea et al., 2004).*

### ***4.3. The Economic Effects of the Disadvantaged Areas***

The main problem confronting the disadvantaged areas is the existing human resources. Considering their economic specificity within the disadvantaged areas, the most affected were the male workforce as they were either not qualified or strictly specialized, like in the case of single-industrial centres.

One of the industrial reconversion's major effect was the development of the textile industry in most parts of the disadvantaged areas, which in turn meant that the female workforce was the one employed. Apart from this, the refractory attitude of the local population towards training courses for a different job field is another obstacle in enhancing and diversifying the business environment in these areas. Another factor that threatens the start-up of new business and obtaining an investor status is the population's lack of a minimal entrepreneurial education. This is a direct result of the overall decreased education level of the local population, which in turn is due to the isolated position of these areas, away from the major university centres of the country. As such, we can conclude that in spite of the facilities established by the above-mentioned laws the precarious situation of these areas is still affecting their attractiveness for future possible investors. The human factor in these situations was observed by Rhonda Braithwaite *et al.* (2007) who studied the behaviour of the inhabitants of disadvantaged areas characterized by high unemployment and concluded that *there is a high degree of suspicion and cynicism regarding the attentions of outsiders; and this makes the development of research or development projects led by people from outside the area difficult.*

*"During the last 20 years the industrial areas have degraded constantly and the mining activities stopped and the units closed. I'm talking about the mining exploitations in the Apuseni Mountains, the wood processing units from Blaj and Sebeş, the chemical plant from Zlatna, the sodium products factory from Ocna Mureş, the metallurgical enterprise in Aiud, an the tools and weapons factory in Cugir just to name a few. Many people leave the county or even the country to find other job because they can't find one at home, or their salaries are very low, they live in poverty here." – male, 41 years old, county counsellor from Alba County.*

*“In our county activities like mining and processing of ferrous ores have almost completely disappeared. Due to their financial problems, more and more owners of commercial enterprises in our county had to close down their businesses.” – woman, 51 years old, county councillor for the Maramureş county Prefecture.*

*“Most of the people that enlist in the professional reconversion programs are people that were left without a job following the economic changes happening in the last few years. Unfortunately, many of them are older than 40-45 years old and more difficult to reintroduce into the labour market.” – woman, 42 years old, county councillor for the Braşov county Prefecture.*

Presently one economic objective that most countries try to achieve is to diminish the inter and intra-regional disparities and prevent new inequalities in terms of economic development, as well as increase the competitiveness of regional economies in order for them to successfully face the European competition. Therefore, a permanent diagnosis analysis of the most disadvantaged areas is required. The goal is to identify the most suitable solution, specific for each area, for their (re)integration in the national and ultimately international economic landscape.

The interviews showed that the main productive activities such as mining and processing of ferrous ores have all but disappeared from most of the single-industry specialized small towns. This in turn led to radical changes in the development potential of most of the country's counties. All of the interviewed representatives agreed that the industrial changes that occurred in Romania's post 1998 (and especially heavy industry) had in general negative effects on the workforce resources. Two of the most frequent examples offered in interviews were the closing down of a processing plant or mine (usually the only existing source of labour) and wasn't replaced with any other potential source of income that the local population could gravitate towards.

In turn, the closing down of the respective factories, plants or mines happened because the achieved quality of the products was insufficient on the new economic stage the country was performing. Many domains, having lost their traditional outlets, were not able to comply with the new legislation and regulation of western European markets. Adding to this, many council members complained about the ever-growing Romanian bureaucracy and the numerous changes done to the legislation, especially about the disadvantaged areas.

In order to counteract the large percentage of unemployed population newly introduced to the Romanian social stage, the government developed numerous professional reconversion programs. As far as our interviewed showed, these programs have only been minimally successful. One reason identified in most of the interviews was the age that many people enter in these reconversion programs. In Romania, the problematic segment of the population proved to be males, aged between 40 and 45 years and older. Furthermore, what makes this segment more vulnerable is that they were usually employed in a heavy industry segment and are now required to adapt to a totally different working environment.

## 5. Unemployment and human resources

According to ILO's (International Labour Organization) criteria for unemployment to exist in a state, its population must find itself in one of the following conditions:

- 'without work', i.e. not in paid employment or self-employment;
- 'currently available for work', i.e. available for paid employment or self-employment during the reference period; and
- 'seeking work', i.e. have taken specific steps in a specified recent period to seek paid employment or self-employment. The specific steps may include registration at a public or private employment exchange; applications to employers; looking for jobs, placing or answering newspaper advertisements; seeking assistance from friends or relatives and so on.

Unemployment in Romania has had a special policy during the communist period. As such, before 1990 according to Nicolae Ceaușescu's vision, unemployment didn't exist in the statistics of the country because of its policy for compulsory job application. According to this practice, the country's political police used to verify the economic status of each potential labourer (facilitated by an elaborate network of informants created over time) and proceeded to procure him or her with a working place. A refusal from any person to work was sanctioned through legal actions (fines, jail time or in extreme cases even sending that person to forced labour camps).

Because of this, immediately after the communist regime fell the statistics showed that the unemployment rate registered low values but it rose quickly in a very short period of time.

In terms of legislative framework, the first law that supported the unemployed was the no. 1/1991 Law for social protection of unemployed people and their economic reintegration. This law suffered several amendments until its final abrogation, and was replaced by the no. 76/2002 Law for the unemployment social insurance system and employment stimulation.

As shown in *figure 1* the unemployment rate traversed multiple stages nationwide during the analysed time frame.

Between 1991 and 1993, it registered a much-accentuated rise (highest in the analysed period) as a result of the difficulties encountered during the transition process from a centralized to an open market economy.

Between 1994 and 2002, the unemployment rate registered another peak level as an effect of restructuring and overall economic downfall. These values revolved around the interval of 9-10%, with the exception of the year 1996 (when it registered 6.6%). The significant decrease encountered in this year was due to a slight economic increase as well as the legal measurements taken to combat unemployment in the context of it being an election year. These

elections marked a change in the political vision of the country's governance, changing from a party where most of the leaders were still former communist officials to the RDC (the Romanian Democratic Convention), a political and electoral coalition formed with the declared purpose of standing against the current government' policy considered to be communist.

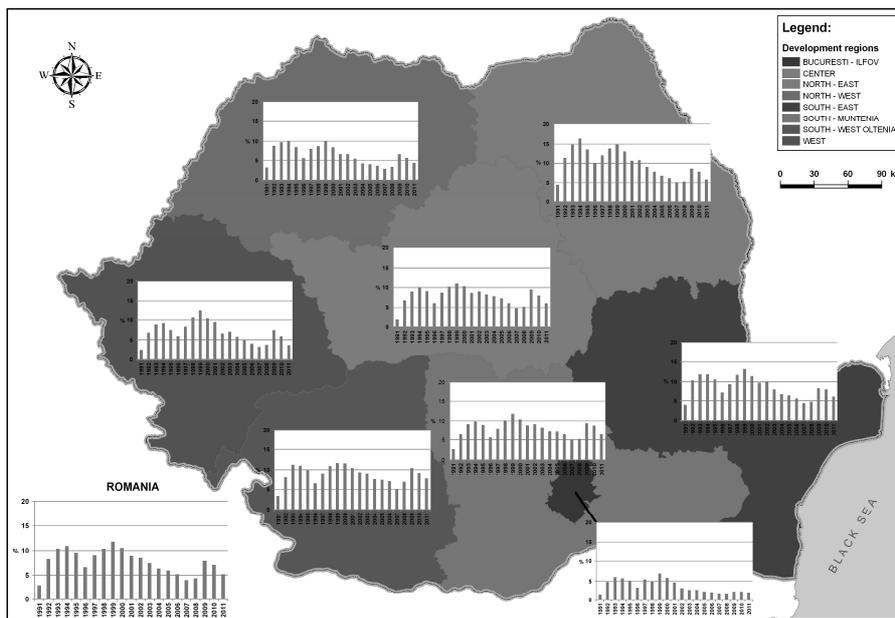


Fig. 1. Unemployment evolution in Romania

Between 2003 and 2008 the unemployment rate registered a significant reduction due to this period being one of remarkable economic growth in Romania, sustain by an important flow of national and foreign investments. Another factor was the easier access of the Romanian workforce to west European economies, which caused a massive out flow of Romanian labourers towards Europe and other parts of the world. This in turn contributed to a reduction in unemployment. During this period the unemployment rate dropped yearly, from 7.4% in 2003, to 4% in 2007 and only increased slightly in 2008 to 4.4%.

Starting with 2008, and especially the end of that year, the unemployment rate resumed its tendency to increase mainly because of the powerful economic crisis from 2009. It was in 2009 that the unemployment rate registered a value of 7.8% and this high values has maintained into 2010.

Presently Romania faces a series of statistical issues concerning the correct establishment of the number of unemployed and their share in the total population. The first problem of the ANOFM (The National Agency for

Employment) is that they base their measurements on registrations made at the local and county offices. Due to a decrease in unemployment compensations in 2011, people without a job are no longer encouraged to register as unemployed. Another issue is the fact that after the period of unemployment compensation expires during which that person appears in the database, there are simply eliminated from the system, no further tabs are kept on that person. On top of this, in rural areas unemployed people are written down as being occupied in subsistence agriculture, although, if asked about their occupational status they will declare themselves as unemployed, as the president of the National Trade Union Confederation “Cartel ALFA” Bogdan Hossu declared in an interview for *Gândul* newspaper (*Gândul*, 2010).

The causes for unemployment are various and complex and were studied along the time by many researchers. Dietrech (2013) identified two types of causes: structural (the state of a country’s economy or workforce) and institutional factors such as employment protection, forms of labour contracts, general and vocational education etc.), Blanchflower and Freemann (2000) also studied the mismatch of qualifications and group-specific labour market participation.

In the extant literature, unemployment is largely analysed from a sociological and economic perspective. Using extensive comparative and longitudinal data, several scholars have exposed the problems and burdens of unemployment. Gallie *et al.* (2003) cited by Dietreich have emphasized how unemployment leads to poverty, which can in turn result in an unfortunate cycle of exclusion for the affected population.

The European Commission laid the developing problem of social exclusion directly at the doors of rising unemployment and fragmentation of the jobs structure (Commission of the European Communities, 1993).

As any other heterogeneous territory, Romania registered differentiated values of unemployment at a regional scale, though for the most part they followed the national curve of evolution.

In the North – West Region the economic decline caused by the massive industrial restructuring process was felt more strongly in the urban areas which led the unemployed to migrate towards the rural parts of the region. Starting with 2002 the unemployment rate decreased thanks to the promulgation of the no. 76/2002 Law for the unemployment social insurance system and employment stimulation. The highest number of redundancies was recorded in industries such as railway transport, mining, and extraction industry, metallic construction industry, ferrous metals, and wood industry, according to the Ministry of Labour, Family, Social Protection, and Elderly. The county with the largest number of redundancies made was Maramureş where between 1999 and 2005 over 26000 persons were laid off (almost half of those laid off in the entire region), followed by Bihor County with 9500. Nonetheless, unemployment itself registered the highest values especially for the first years analysed in

Bistrița – Năsăud County. The industry where most of the restructuring took place in this region was the mining industry.

The authors consider important to point out the fact that the unemployment rate overall value for this region is lower than the values recorded at national level, mostly due to the two counties neighbouring Hungary where short term out migration for economic activities flourishes.

Unemployment in the Central Region had a trajectory similar to the national evolution for the first part of the studied time period but after the year 2002 it rose above it. This was caused by the intensified economic restructuring processes, and the progressive reduction of direct or indirect subventions to industrial branches such as extractive, weapons, metallurgical, and chemical. One of the many example nation wide but the most extreme in this region was the case of Târnăveni. The city's economy was centred in the past around the chemical industry. Due to old and pollutant installations, high-energy consumptions, the lack of sufficient orders, and the environmental issues created, the two large units located here gradually reduced their activities and are currently in judicial liquidation.

Recognized as the least developed region in the country and for having the most serious social and economic problems, the North-East Region has had the highest values of unemployment, higher than the national median, for all the 21 years considered, the most affected areas being those with a poor industrial diversity. Such cases were present in counties such as Botoșani and Vaslui (both of them are frontier counties) and in single industry areas (in the entire region and the two nominated counties in particular). The economic vulnerability of this region manifested by massive restructurings in retail, collapse of the construction sector, and a drop in demand for goods and services. Specific for this region is that the North-East Region is the only one in the country with a positive natural balance for most of the analysed years. This translates into numerous large families whose living conditions worsened with the 1990 economic instability. The combined action of all these factors and the unprecedented opportunity to work abroad launched a massive out migration flow of the adult population towards Western Europe. Moreover, even if these waves of migration fixed the immediate financial problem, they created others. These are of a more relevant issue and had visible effects years later and whose solving will require a lot more time: numerous children raised by one parent or more or less distant relatives, increase of school dropout, depopulation of rural areas, etc. (Cojocaru *et al.*, 2006; Roman *et al.*, 2010).

Specific for the South – East Development Region was an increase in unemployment particularly in those counties known for their heavy industry: Galați, Brăila, and Buzău, with Buzău being the county where the unemployment rate reached the highest values in the entire region. Once again, the small urban single-industry centres were extremely vulnerable. In the

process of going from a predominantly industrial landscape to a tertiary one, the closing down of a factory that had supported most of the active population in that town meant that the socio-economic structure of that town was affected and the surplus of workforce cannot be absorbed by other economic agents and thus unemployment increases. This process also gave birth to out-migration flows but, unlike the North-East Region where it was mostly international, here the directions were mostly intra-regional (rural-urban) or inter-regional.

The evolution of unemployment in the South – Muntenia Region follows once again the trajectory of this indicator established at a national level, although two distinct stages stand out. Between 1991 and 2000 the values are below those registered at national level and between 2001 and 2011 above them. High unemployment rates were encountered in the northern part of the region and in Giurgiu County. One reason for “acceptable” unemployment values registered in the rest of the counties is that the south of this region is mostly agrarian and inhabitants are generally registered as occupied in subsistence agriculture although they meet the conditions for being unemployed.

Specific for the South – West Oltenia Region is the unemployment’s territorial inequality. Thus, in some counties such as Gorj and Vâlcea the effects of the economic issues that translated into huge rises in unemployment were more drastic due to the restructuring of the extractive industry compared to other counties where the impact of economic restructuring wasn’t felt at the same intensity (Olt and Dolj). In Mehedinți County, for example, the economic problems appeared because the economic activities (although diversified) were mostly concentrated in a single town - Drobeta Turnu Severin. When most of the town’s units closed down (textile, furniture, chemical, shipyard) it was up to the ROMAG PROD Heavy Water Plant to envelop the working population.

The unemployment rates in the Bucharest – Ilfov Region as well as the West Region were generally below the national average, in spite of them being located at opposite parts of the country. Generally, the unemployment rate is higher in the rural areas than the urban ones because most of the population in the rural areas is enrolled in agricultural activities and in a smaller degree in the public sector (education, health, culture, social assistance). In fact, in the West Region, because many landowners have farmed out their lands to foreign investors (who created intensive farms) they constitute national examples of good practice.

Nationally, the high values of unemployment were caused by the transition from a centralized to a free market economy. In a cascade like process the effects were emphasized by: the impossibility of Romania’s economy to face the new demands of the Western-European market (as before 1990 all the import-export exchanges were done with other communist countries); the inferior quality of the Romanian products; the difficulty with which the industry has modernized technologically and in terms of materials and working procedures.

Another immediate effect of the increase in unemployment was the migration flows of the adult workforce, which, the authors consider, are going to have disastrous effects on the younger generations both socially and economically, as well as in terms of their future psycho-mental development. David N.F. Bell and David G. Blanchflower (2010) in their study of the economic landscape of the United Kingdom emphasize that during the 2008-2010 economic crisis unemployment raised substantially especially among the young labour force, fact signalled by other publications describing the economic history of each development region in Romania.

On the other hand, a reduction in unemployment can be explained by retirements, migration flows, moonlighting, or simply because most unemployed don't register at the Agencies for Employment anymore.

*"Many of the unemployed in this county came from industrial platforms that saw their units closed down. We don't have a record of where people went afterwards, but the general directions were either abroad or back to a rural environment where they or members of their families have lots" – man, 45 years old, county councillor for the Neamț County prefecture.*

*"We were expecting an increase in unemployment because of the major changes the country went through after the event of 1989, but the number of workplaces lost continued to rise and no viable alternatives were presented. The fact that the majority of the population is qualified in technical fields didn't help." – man, 47 years old, county councillor for the Mehedinți County prefecture.*

## **6. Socio-Economic Evolution Index**

Deindustrialization is a process that radically affected Romania after 1990. The transition from a centralized economy to a competitive one generated dramatic changes in the socio-economic landscape. Romania's economic policy aimed to reform its activities, and that had rather negative effects (Trif *et al.*, 2006).

During the events of 1989, the Romanian Government considered that the best solution for solving the economic problems would be to privatize a series of institutions. In order to survive the transition to a competitive market economy some of the state properties would be privatized in order to reinstate their economic profitability.

The privatization process starting with the no. 15/1990 Law followed by the no. 58/1991 Law, the latter one was also in charge of establishing a privatization-specialized institution the State Property Fund (SPF). The institution changed its nomenclature in 2001 to the Authority for Privatizing and Managing State Properties and in 2004 to the Authority for Capitalization of State Assets. The privatization process proved to be extremely difficult and was painstakingly slow, as it was supposed to end in 1997. Although from the legislative point of view, the selling of state owned companies to foreign

investors was aimed to restructure activities and make them profitable, this didn't happen. Many steel mills such as Roman-Braşov, IMGB or the Reşiţa Steel Mill were sold for 1 dollar or 1 euro (Asaftei, 2007), and they were restructured in stages until they ended up functioning at their minimum capacity or being put into conservation. The privatization process continued between 1995 and 1997 with a coupon campaign that aimed to give the population free privatization coupons with a face value of 975000 lei (Asaftei, 2007). The privatization process, which continued in 2013 (with the Cargo Romanian Railways), had in general negative effects, because in most cases as soon as investors acquired these companies, they started restructuring the personnel which translated into massive layoffs, then shutting down departments going as far as insolvency and then bankruptcy. In many cases, the initial buying costs were recovered by selling the equipment for scraps, as the factories were not refurbished but demolished and sold (Cojocaru, 2008).

The end result of these actions was that areas that were previously strong industrial ones, now faced high unemployment, and the lack of jobs led to the population embracing a more positive attitude about migration.

*“In Mehedinţi county, the job market has serious issues. All the major factories and enterprises are practically closed down and the younger generation have nowhere to work. People are leaving to work in other countries.” – man, 47 years old, county councillor for the Mehedinţi County prefecture.*

*“The only way to make ends meet is to work abroad. Young people leave because they can't find jobs and can't live in poverty, and as such many families are torn apart” – man, 55 years old, county councillor for the Vaslui County prefecture.*

*“Ever since the mines and quarries closed down, poverty increased. The coal processing factories are closed. They talk about tourism as an alternative but how can you practice tourism in Jiu Valley? Nobody is investing in this.” – man, 47 years old, county councillor for the Hunedoara County prefecture.*

The recent economic changes also affected the socio-economic evolution index. One change refers to Romania's accession to the European Union, which should have improved the living conditions of the population by increasing the competitiveness of the economic market (Kohl *et al.*, 2004), but this didn't happen in all counties (Figure 2). After the EU accession, the investments were meant to create jobs through urban and rural development programs, infrastructure development, social programs, but the low absorption degree of the European funds and their defective management didn't allow for a social-economic rebirth of areas that were previously affected by economic restructurings.

*“There haven't been major investments in Gorj County for years. The European funds were spent more on rehabilitating roads, schools and on social programs. Last time any additional jobs for the majority of the population were created here was during the Ceauşescu regime; very few new businesses have emerged these past few years” – man, 51 years old, part of the Gorj County prefecture.*

*“The new jobs that were created after 1990 couldn’t replace the tenth part of those that disappeared as a result of the privatization process. I’m talking about the large factories like the ones from Reșița, and Călan, the entire mining industry, all of these are practically dead” – man, 47 years old, county councillor for the Hunedoara County prefecture.*

*“In our county, only Craiova (the county seat) received investments. The people from Ford went there and other big companies. The rest of the county, even towns that were previously strong economic centres like Calafat, is nowadays dead. Poverty is high in rural areas as well, because investors focused on buying land, not on creating jobs” – man, 60 years old, county councillor for the Dolj County prefecture.*

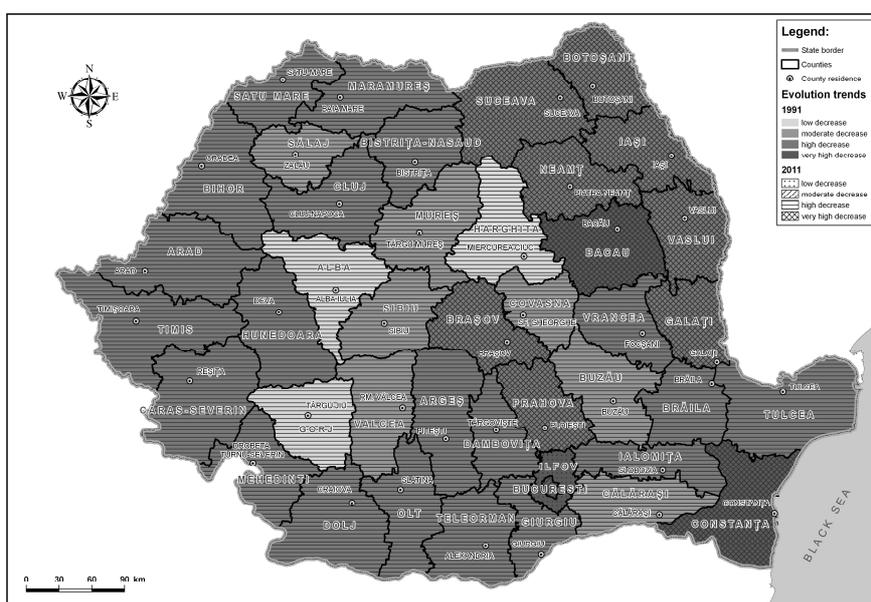


Fig. 2. Dynamic of the Socio-Economic Evolution Index

The socio-economic evolution index was calculated for 11 years between 1991 and 2011 and it shows different trends for Romania’s counties. These tendencies were influenced by the economic changes of the respective areas according to the ongoing economic restructuring. The authors noted that counties such as Bacău, Ilfov, Constanța, and Bucharest who had the highest decrease in 1990 went through different dynamics in the 20 years analysed. Bacău and Constanța counties still remain to this day in a stet of very high decrease due to the disappearance of several industrial activities (fertilizers, paper industry, textiles, and food industries) and as such the entire economy is left depending on the development of a few central towns. In the case of Ilfov County and Bucharest itself, there was a more positive dynamic, which continues presently as well, because even if several industrial platforms disappeared starting with 1990, they were successfully replaced with tertiary activities.

Most of Romania's counties had in 1990 a high decrease of the socio-economic evolution index (figure 2) with the exception of Sălaj, Mureş, Sibiu, Vâlcea, Covasna, Buzău, and Călăraşi counties, which had a moderate decrease and Alba, Harghita, and Gorj with a low decrease. These counties weren't so severely affected by the national economic changes due to the slow pace of the restructuring process, and the presence of strong industrial branches that were able to be highly efficient even after 1990. Nonetheless, a decreasing dynamic eventually took place, so that in 2011 all of them registered a high decrease in terms of socio-economic evolution index. The energy industry, that were dominant in Gorj and Alba counties, is nowadays highly reduced, many mines were closed down after 1995, in Harghita and Covasna counties the food and woodworking industry diminished, and the chemical, building materials and machine building industries in Mureş, Sălaj, Călăraşi and Vâlcea counties are also restructured.

Therefore, the socio-economic evolution after 1990 shows that Romania's economy was restructured through deindustrialization and, in most counties, industrial branches that were once powerful were not replaced instead they just disappeared. The interviews showed that towns that were once strong polarizing centres for the workforce still managed to survive better than rural areas; the latter ones being strongly affected by out-migration and demographic aging. This explains the subsequent negative social effects, as most counties registered a high and very high decrease of the socio-economic evolution index. The interviews pointed out that other negative consequences included lack of jobs, high unemployment, increase in poverty, increase in percentages of vulnerable population, as well as out-migration of the better part of the workforce resources.

## **7. Conclusions**

The closing down of industrial units and reduction of certain activities resulted from restructuring and the demands of a new market economy have had a negative impact on both urban and rural areas. The inhabitants of thus created disadvantaged areas suffered considerable hardships both financially and socially and are presently facing worsening living conditions, and a continuous decline of their living standards. The issues many industries faced correlated with the absence of any alternative employment made many families return to agriculture as a main income source.

Despite the legislative efforts made nationally that were meant to revitalize the disadvantaged areas, long-term success was never achieved. This lack of results led to the 38 disadvantaged areas to maintain their status, also there is an increased risk of other vulnerable ones to appear.

Apart from attracting national or foreign investors, the only outlets remained agriculture and tourism.

The fact that a large amount of the workforce was specialized in mining and activities related to heavy industry and that most of those industries broke down translated into a large population share becoming incapable of providing for their families. Another issue continues to be the fact that many of those made redundant don't have the necessary qualifications required by the new market operators, so it's very difficult to reintegrate them into the labour force.

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