

# Influences of the present crises from Romania on employment

## Abstract

The article is showing the main consequences of the multiple but especially energy crises on some of the relevant social and economic indicators of Romania during 2020-2022, with accent on the field of employment and working places. We analyze also, the intervention of the Romanian social protection system in order to improve quality of life for the poor population, the used data being compared with European relevant context. The article is supporting its allegations by some objective indicators published by Eurostat, Romanian National Institute for Statistics, UniCredit Romania, Bruegel.org and others.

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## Introduction

### The energy crisis triggered in 2021 by EU policies produced three kind of great consequences

- 1) changes in the energy consumption models in EU countries and in Romania (through objective indicators 2019-2022);
- 2) aggravation of the energy crisis through the war in Ukraine; the explosion of prices for all types of fuels;
- 3) increases the general confusion in terms of economic policies (EU and Romania) ment to reduce the impact of the energy crisis.

### Relevant social indicators of the Romanian context

The crisis targets both the macro-economic state, but also the social-economic conditions of a large part of the population's households, is the result of the composition of several vectors:

- 1) the precarious social background of the exit from the COVID-19 pandemic
- 2) the energy crisis through EU decisions to reform the energy sector-
- 3) the crisis in the standard of living by increasing the prices of consumer goods and services
- 4) the crisis of the war in Ukraine
- 5) successive political crises in Romania
- 6) the climate crisis (prolonged drought, floods) that compromised agricultural harvests
- 7) the crisis in education - by closing many schools due to insufficient funds,
- 8) the crisis in the health system
- 9) the crisis of confidence of the population in state institutions, etc.

All of these has exacerbated the general crisis situation.

The engine of this major crisis derives from the critical socio-economic background left over from the pandemic through labor market problems - aggravated by the energy crisis and the crisis of the standard of living.

The current social situation, especially critical, in Romania, is not only the result of the current multiple conjugated crisis, but also, of an extremely difficult transition to a market economy, with economic effects that systematically place us at the base of any European top. We present in the following, some of the objective indicators as the support of this ideas:

- 1) in 2020, after 30 years of economic reform and development, Romania presents the highest poverty rate in the EU, at the international threshold of 5.5 USD per day, according to the World Bank Development Indicators and household survey.
- 2) for over a decade, Romania has had one of the highest shares of emigrants in relation to the population among all EU countries. In 2022, Romania registered over 4 million emigrants.<sup>1</sup>
- 3) Romania's social protection system recorded the lowest impact of social transfers on poverty reduction in the EU (which decreased from 23 to 15% from 2011 to 2020);
- 4) Romania was the only country in the EU where access to drinking water was not universal (67.74% of the total population); in rural areas this was only 33.66% of the rural population;<sup>2</sup>
- 5) Romania is far below the EU average in terms of policy implementation effectiveness (3.9 versus 6.1 EU average);
- 6) Romania achieves the lowest public expenditure on health services as a share of GDP in the EU (6%);
- 7) after three decades of market economy, Romania still has the worst infrastructure conditions in the EU in general (and especially in transport) (World Economic Forum, The Global Competitiveness Report 2017/18).

### Some of the major economic consequences of the current crisis are the following

- 1) The emergence of economic-financial blockages due to difficulties in repaying commercial and financial debts in the context of rising interest rates;
- 2) Deceleration of investments due to rising interest rates;
- 3) Decrease in consumption
- 4) Fiscal uncertainties.

In 2022, Romania borrowed 148.6 billion lei, i.e. more than twice as much as 10 years ago, to manage:

- 1) the budget deficit - the difference between the revenues it will collect in 2022 and the expenses it expects to have; from the MFP estimates, 80.2 billion lei are needed only to cover the 2022 deficit.
- 2) rollover of public debt – covering loans from previous years; in 2022, loans of 68.5 billion lei must be „rolled over” (Table 1).

**Table 1** Relevant indicators of Romania's current economic state

Indicators	2019	2020	2021	2022
GDP (billion euros)	223.2	218.9	240.2	285.3
GDP/capita (euro)	11,488	11,326	12,520	14,011
Real GDP dynamics (%)	4.2	-3.7	5.9	6.4
Private consumption (dynamics %)	3.9	-5.1	7.9	5.7
Fixed investments (billion euros)	12.9	4.1	2.3	5.4
Public consumption (dynamics %)	7.3	1.8	0.4	6.1
Exports (billion euros)	5.4	-9.4	12.5	6.7
Imports (billion euros)	8.6	-5.2	14.6	11.2
Nominal monthly salary (euro)	1,069	1,116	1,175	1,315
Real salary dynamics	8.9	3.6	2	-0.9

**Table 2** Objective indicators regarding employment dynamics – 2019-202

Office of the Labor Force (OLF)	M.U.	01.01. 2020	01.01.2022	AMIGO	Year 2019	Year 2021
Civilian employed population	Thou-sands	8,492.60	7,600.80	Total occupied population	8,680	7,755.50
Registered unemployed	Thou-sands	257.9	234.8	Unemployed ILO	353	459.2
Active civilian population	Thou-sands	8,750.50	7,835.60	Total active population	9,033	8,214.70
Registered unemployment rate	%	2.9	3.0	Unemployment rate ILO	3.9	5.6
Number of employees	Thou-sands	5,481.10	5576.1-30.09			

Sources: Pisciă Silvia,<sup>9</sup> Balanta fortei de muncă, 1 ianuarie 2020.

Increasing the risk of losing their homes to families who cannot pay their maintenance expenses for several months in a row;

The increase in unemployment due to the closure of some enterprises in industry/agriculture/services. In the OLF data, the civilian employed population decreased by 891.8 thousand, in the period 2020-2022, in the same period (plus 9 months) the number of employees increased by 95 thousand people, while the registered unemployment rate ILO kept close to the figure of 2.9-3.0 %.

In AMIGO data, in the period 2019-2021, the total employed population decreased by 924.5 thousand people, the total active population decreased by 718.3 thousand people, and the unemployment rate ILO increased by 1.7 %.

### Western concern over the costs of the crisis; the great European powers ignores the ethical aspects of a discourse not verified by their own policies

In order to reduce the devastating economic and social impact of the crisis of rising energy prices, European states have allocated a total of around 500 billion euros (1.7% of EU.27 GDP).<sup>3</sup> The 27 EU member states have already spent around 314 billion euros for the economic support of companies, the largest amount being allocated by Germany - over 100 billion euros - the equivalent of 2.8% of its

Indicators	2019	2020	2021	2022
Unemployment rate (%)	4.9	6	5.6	5.3
Public debt (billion euros)	35.3	47.2	48.8	47.7
Budget balance (% of GDP)	-4.4	-9.4	-7.7	-6.1
Current account balance (billion Euros)	-10.9	-11	-17	-26.1
Current account balance/ GDP (%)	-4.9	-5	-7.1	-9.1
Gross external debt (% of GDP)	33.3	42.7	44.9	43.2

Source: Eurostat, INS,<sup>5</sup> Raport UniCredit.

Note: forsee.

### Some of the main social consequences of the energy crisis are the following

- 1) increase in all the prices of consumer goods and services;
- 2) the massive reduction of energy consumption during the winter of 2022-2023 (the Romanian population already achieving one of the lowest energy consumptions in the EU);
- 3) the closing of some hospitals, schools and other institutions, due to the impossibility of paying utility bills;
- 4) social housing cases without home heating; consequences of widespread non-payment of maintenance charges (Table 2).

own GDP. The most, he allowed himself to allocate to Great Britain - 178 billion euros.

Romania allocated only 6.9 billion euros, i.e. the equivalent of 2.88% of GDP, which places it in sixth place in the EU.27, after Croatia (4.1%), Greece (3.7%), Italy (3.3%), Latvia (3.2%) and Spain (2.9%). The first ten European states that had initiatives in this regard are: Great Britain 178, Germany 100.2, Italy 59.2, France 53.6, Spain 35.5, Poland 10.6, Austria 8.9, Romania 6, 9, Denmark 6.8, Netherlands 6.2.<sup>4</sup>

We are once again observing the enormous gaps existing between European states, in terms of supporting their own national economies with funds. In such conditions, the European states with a harder word to say regarding the decisions imposed in the EU (Germany, France, Italy) insisted at a certain moment for the imposition of egalitarianism regarding the abandonment of the use of conventional fuels in all European states, although practically, Germany, Poland etc. they would not for a day conform to the observance of such rule. On the contrary. At the level of the public discourse, it was advocated for restrictions imposed on imports from Russia in order to reduce its financial resources, but on the other hand, all the major European importers of Russian gas were having problems because they did not have much possibility to pay for their gas in rubles.<sup>5</sup>

At the beginning, Romania unconditionally accepted the renunciation of the use of conventional fuels, but it came back on this decision, when it was seen that one is the public discourse of the great powers and others are applied economic practices. However, the rather large economic inertia caused many businesses to go bankrupt. And we can at least ask ourselves, if this was not a subtle method, to remove from the market, even partially, some unwanted businesses of the competition in the European space.<sup>6</sup>

### Dynamics of social protection 2020-2022

In the last five years, as in all the three decades of market economy, Romania has systematically applied *minimalist policies in the field of social policies*, although this interval had a strong character of a prolonged social-economic crisis, in which the share of the population that lived in poverty remained among the highest in the European Union (25 to 40 %) (Table 3).

**Table 3** Evolution of social protection expenses in several representative countries for the existing groups in the EU.27, 2017-2019 (PPS/inhabitant)

	2017	2018	2019
<b>Average EU.27</b>	<b>7,879.31</b>	<b>8,085.75</b>	<b>8,412.80</b>
Denmark	10,943.60	11,171.99	11,344.63

**Table 4** Hierarchy of EU.27 countries according to the share of government spending on social protection, in GDP, by function of social protection, 2020, % of GDP

No. crt.		Share of social protection expenditures in GDP	Stroke-injuries and disabilities	Retirement pension	Survivor's pension	Family and children	Unemployment	Housing	Social exclusion	Others
	EU average	22	3	11.3	1.6	2	2.2	0.3	1.1	0.3
	Euro Zone	22.7	3.1	11.6	1.8	1.9	2.5	0.4	1.1	0.3
1	France	27.3	3.3	14.1	1.6	2.4	3.3	0.9	1.5	0.2
2	Finland	25.7	3.2	14.5	0.7	3.1	2.3	0.7	1	0.3
3	Italy	25.2	2	15.1	2.8	1.1	2.5	0	1.5	0.1
4	Austria	22.9	1.9	13.9	1.4	2.4	1.9	0.1	1.1	0.2
5	Belgium	22.7	3.8	10.2	1.7	2.4	3.1	0.2	1.2	0.2
6	Greece	22.5	1.7	15.7	2.3	1	0.9	0.2	0.6	0
7	Denmark	22.4	4.6	8.5	0	4.4	2.1	0.7	1.6	0.5
8	Spain	22.1	3.1	10.9	2.6	1	3.8	0	0.5	0.1
9	Germany	21.8	3.4	10.3	2	2.2	2.2	0.3	0.7	0.8
10	Luxembourg	20.6	3.7	10	0	3.7	2.1	0.1	0.9	0.2
11	Sweden	19.8	3.7	10.8	0.2	2.5	1.3	0.3	0.9	0
12	Portugal	18.8	1.5	12.5	1.9	1.3	0.6	0.2	0.4	0.4
13	Slovenia	18.7	2.4	11	1.4	2	0.6	0	1.1	0.2
14	Poland	18.2	2.3	10.1	1.6	3.3	0.3	0	0.3	0.1
15	Netherlands	17.4	4.3	6.7	0.1	2.1	0.9	0.5	2.8	0
16	Lithuania	16.3	4.7	6.7	0.3	2.1	1.7	0.1	0.4	0.7
17	Slovakia	16.3	3.9	8.4	0.8	1.2	0.4	0	0.2	1.3
18	Croatia	15.7	1.9	9.4	1.4	2.2	0.5	0.1	0.1	0.2
19	Estonia	15	2.4	8.2	0.1	2.9	1.1	0	0.2	0.2
20	Czech Rep.	14.4	2.7	8.2	0.6	1.9	0.2	0.2	0.4	0.2
21	Romania	13.8	1.2	9.9	0.1	1.6	0.1	0	0.4	0.4
22	Hungary	13.6	2.3	6.5	0.8	2.4	0.4	0.1	0.9	0.2
23	Cyprus	13.6	0.5	6.6	1.5	3	0.7	0	1.3	0.1
24	Latvia	13.5	2.9	7.7	0.2	1.3	0.6	0.1	0.4	0.4
25	Bulgaria	13.1	0.6	9.5	..	1.9	0.6	0.1	0.1	0.3
26	Malta	12	1	7.2	1.3	1	0.2	0.2	0.4	0.7
27	Ireland	10.2	1.3	3.9	0.5	0	4.4	2.1	0.7	2.1

Source: Eurostat. Government expenditure on social protection, Table I: Total general government expenditure on social protection, 2020 (% of GDP).

	2017	2018	2019
<b>Average EU.27</b>	<b>7,879.31</b>	<b>8,085.75</b>	<b>8,412.80</b>
Germany	10,510.22	10,859.58	11,203.62
Czech Republic	5,040.11	5,221.66	5,562.82
Poland	4,337.62	4,451.44	5,128.05
Hungary	3,737.01	3,868.44	3,859.19
Slovakia	3,636.57	3,661.43	3,753.37
Romania	2,799.23	3,066.79	3,413.85
Bulgaria	2,608.16	2,753.30	2,869.93

Source Eurostat. Tables by functions, aggregated benefits and grouped schemes - in PPS per head

Government spending on social protection in relation to the GDP of European Union states varied in 2020, from 10.2% in Ireland to 27.3% in France. In EU 2020, the average expenditure on social protection represented 22.0% of GDP, and 41.3% of total expenditure, i.e. 2 943 billion euros. The most consistent group of expenses, which amounted to 11.3% of the EU GDP in 2020, was constituted by the payment of pensions (Table 4).

Expenditure on „Sickness and disability” which was 3.0% of GDP in 2020 in the EU mainly refers to social payments in cash or in kind related to the operation of social insurance systems. Expenditure for the group „Family and children” represented 2.0% of GDP in the EU and 1.9% of GDP in the euro area, „unemployment” represented 2.2% of GDP and 2.5% of GDP respectively in the EU and the euro area. Expenditure on „Housing” accounted for 0.3% of GDP in the EU and 0.4% of GDP in the euro area and mainly refers to social protection payments to households as help to pay for the cost of housing as well as the running of housing social.

## Conclusion

The most insolvencies open in Romania in the first semester of 2022 were registered in: construction (710), retail trade (467) wholesale trade and distribution (407) (Situation of insolvencies in Romania, Coface, 2022).

In the first semester of 2022, 3,510 new insolvencies were opened, 16% more than in 2021 (first semester). New insolvencies opened in the first half of 2022 exceeded the pre-Covid-19 pandemic level by 6%.<sup>7</sup>

The financial difficulties generated the increase of insolvencies/1,000 active companies in Romania to almost 20 times the regional average (Central and South-Eastern Europe).

After trade, in order, the sectors with open insolvencies were: transport (328), other services (305), hotels and restaurants (292), textile factories, clothing and footwear factories (162), manufacture of wood and wood products (132), agriculture (128), food and beverage industry (108), metallurgical industry (85) (Mailat (2), 2022).

Currently, Romania ranks 28th in a ranking of the 34 most attractive countries in Europe, the Middle East and Africa (EMEA) for private companies (MEA Entrepreneurial & Private Business Heatmap, PwC). The ranking takes into account 37 parameters from various fields: macroeconomics, fiscal and regulatory framework, public health, technology, infrastructure, business environment, education/skills/talents).<sup>8</sup>

## Foreseeable future social consequences

- 1) The massive deterioration of the current employment situation through the bankruptcy of enterprises
- 2) The dramatic reduction in the standard of living by the closure of hospitals, schools and other institutions, but above all by the unbridled increase in prices
- 3) The explosion of the phenomenon of poverty
- 4) The risk of a large part of the population becoming homeless as a result of non-payment of maintenance expenses or bank loans on time (rates doubled from 2021 to 2022)

- 5) The risk of increasing emigration among the younger generations.<sup>9</sup>

## Some possible solutions

First of all, this crises should be alleviated by radically changing the policies applied in the energy sector, even at the risk of violating the regulations imposed by the EU leadership (even if this implies some cuts of European funds). Of course, it is supposed that every country should cooperate in reducing the energy consumption. But we should take into account that Romania has a different social and economic condition in terms of fuel supply and population consumption per capita, comparing with the rest of the Europe.<sup>10</sup>

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## Conflicts of interest

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