

The International Financial Crises and the European Union Labor Market

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The global financial crisis brings a negative influence on the labor market within the European Union and the Member states due to the diminishing of the economic activities and the working places. It is in this context that the member states within the European Union take advantage that are being offered by the Unique Inner Market, the Stability Pact and the Economic Growth and the Lisbon Strategy.

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1. Introduction

It is within the National Strategy and the Sectorial Operational Program aligned to the demands of the E.U. that Romania identified the target groups the most affected by the financial crisis on the Labor Market. These groups are: the Rrom population, the disabled persons, the women, the drug addicted and the refugees. Romania considers that even at a national level and crises situations it comes with a great potential for the labor market in the following domains: services, tourism, transport, social sector. The European Commission has launched the Recovery Plan in order to back the Labor Market within the E.U for an economic growth, the keeping of the working places, new working places, creation of the new working places and trust in the European economy. The Recovery Plan foresees a fiscal stimulus of 1,5% within the GDP of the E.U. The budgets of the European Social Funds were revised in the same way as well as the European Adjusting Fund to Globalization.

2. Romania and European Union Labor Market

In the Maastricht Treaty (1991), it was stipulated the following objective, that had a great impact on the labor market and on the job market of the European Union;”The member states and the EU community have to make great efforts to develop a coordinated strategy for the occupation of the labor force, especially for the job promotion which had already been rehabilitated, prepared and adapted and a flexible labor market that can adapt to the present economic changes. We consider that the

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greatest objective of the European Union regarding the job market and the social politics is that of promoting a decent lifestyle and a higher life standard for all the active people including the unemployed and the handicapped, people that have problems satisfying the demands of the labor market.

The success in the battle against the international financial crises, which seriously affected the European Union as far as the labor market is concerned, demands the usage and the support of all the available resources, at a local and at a regional level. The present financial crises started with the fall of the mortgage credit market in the USA, and that crises became global and determined a disrespect for the economic free market principles and it manifests by a reduction of crediting possibilities, the reduction of the prices for the estates and the decline of the stock market, to those we can add the lack of trust of the people in the investments and the consumption. In many European Union member states the sectors that depend on consumption credits, like the private construction sector and the car industry, there was spotted an abrupt deterioration of their own markets and, indirectly, of the labor market. The labor market represents the ensemble of economic relations regarding the employment and the usage of the labor force and the insurance of the social protection of those that possess these special goods.

In the entire world, the labor market is a result of the confrontation between the demand and the offer. For any economy, national or global, the demand for labor force is determined, on one hand by the volume of production, that directly influences the need for labor force and the labor productivity, which influences this need in a reversed proportional sense. In this context, we consider that, in the present financial crises, the labor market is highly affected. So, the demand and the offer of labor force are considered dynamic entities which reflect the already existing connections between the economical and social development as a demand resource and the population as resource for labor offers. Under the present conditions, the latest economic predictions present us a gloomy picture where the economic growth is close to zero, the economic activities are reduced and where the unemployment rate grows extremely fast. The human resources can help overcome the effects of these financial crises, by the quality and the qualification of the labor force. The European Union created its own social model, modernized in 2000, which includes areas from education to professional preparation and employment, from social protection to dialog, from the work place health and security conditions to the fight against racism and discrimination.

Under these conditions, of the present global financial crises, in order to sustain the European social model, the European Union needs to use all its available instruments, meaning that the member states have to act together in a coordinated way. While dealing with this global financial crisis, the European Union assures that the action, at a European level, is coordinated with the action of the member states at a national level. We consider that at a national level there exists great potential for the labor market, there can be created new job in services, tourism, transportation and in the social sector. The member states have to take advantage of the advantages offered by the European Union because of the efficient coordination at this level, in a viable work frame offered by the Unique Internal Market (1992), the Pact for Economic Stability and Growth (1996), by the principles of the Lisbon Strategies (2000) and the European commune currency (2001).

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In order to reduce the negative effects of this global financial crisis, the state presidents and the government officials of the EU met in November 2008 to ask the European Commission to elaborate a straightening plan for the growth of the economy and of the number of jobs. On short term, this plan includes measures meant to stimulate the demand and to maintain the present number the jobs and to reestablish the population confidence in the European economy. On a medium term, this plan talks about “intelligent investments” meant to stimulate the prosperity of the European Citizens. Essentially, this plan elaborated by the European Union actually talks about a granting of a fiscal stimulus, specific and temporary, of 1.5% of the EU PIB, meaning a sum of 200 billion Euros. From those 200 billion Euros, 170 billion Euros come from the national budgets of the member states and the EU budget, and 30 billion Euros come from the European Investment Bank. This fiscal stimulus consolidates and accelerates the reforms presented in the Lisbon Strategy (2000) for the growth of the economy and of the number of jobs provided for the European people. The European Commission considers this fiscal stimulus part of the Pact for the Economic Stability and Growth.

The actual put into practice of this plan supposes concrete actions at a European and national level for the support of the industry and of the households, especially for that category of “vulnerable” citizen of the labor market. The member states of the European Union which promote packages of fiscal stimulation will sustain the creation of new jobs at the level of their own economies, but also in the other member states by supporting their own exporters. Because of the contribution of the European Union to this fiscal stimulus, an acceleration of payments will be proposed in the work frame the Structural Funds and Social Cohesion Funds. Also, the European Investment Bank will increase its annual investments at the level of the European Union with 15 billion Euros in 2009 and with approximately the same sum in 2010. We consider that the negative effects of these global financial crises affect mostly the workers and the entrepreneurs. In order to protect these population categories, the European Commission proposed a simplification of the criteria for financial assistance using the European Social Fund. From the beginning of 2009, the member states reprogrammed the expenses and intensified the anticipated payments, so that it could and can have access to funds of about 1,8 billion Euros, to use it in order to consolidate the politics of the active labor market. Also the European Cohesion Fund mobilized 4.5 billion Euros for the execution of investment projects which will create new jobs and will protect the already existing ones.

The present global financial crises imposed a reviewing of the budget of the European Fund for the Adjustment to Globalization which will be allowed to intervene in order to maintain the already existing jobs and to help the creation of new ones. In order to create labor force for the community labor market, the Straightening Plan proposes the member states to relax a little the social contribution paid by the employer for the workers with reduced revenues. In the following sessions of the European Union, there will be initiated a Directive which will regulate the permanent reduction of the AVT for the services with intensive use of labor force. The Straightening Plan sustains a growth of investments in education, forming and requalification, so that the European citizens could keep their jobs and, when needed, to be able to come back in the labor market, contributing in the same time to

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the growth labor productivity. The European Funds sustain investments in the infrastructure and in the energetic efficiency at the community level, because these permit the maintaining of the number of jobs in the construction industry and it can help avoid the energetic crises. Another measure meant to solve the present crises, presented in the Straightening Plan is a more relaxed aid form the state, under the conditions of market equality. This measure includes norms of simplification for the acceleration of the decisional process and a temporary growth of the safety limit for the risk capital to 2.5 billion Euros. For the EU member states, in order to guarantee the loan destined for enterprise, a higher maneuver limit is temporarily introduced.

We consider that the proposed and applied level of the fiscal stimulus is sufficient to contribute effectively to the reduction of the unemployment during the crises and will help avoid the accumulation of high and long debts, which can affect the economic basis of the EU. To avoid the extension of the present global financial crises in the EU, the European Commission came up with ambitious structural reforms meant to maintain the European economic competitiveness according to the needs of every member state and with the regulations presented in the Lisbon Treaty. This strategy presents concrete measures for the economic growth and for the growth of the number of jobs. According to the regulations of the Lisbon Treaty, at the end of 2008, the European Commission analyzed the situation of every member state and made specific recommendations in order to make the Straightening Plan work, assuring medium term financial viability and accelerating the reforms regarding the stimulation of the economic competitiveness and the creation of new jobs.

On this occasion, it was discovered that Romania has a severe poverty rate which was reduced from 10.91% in 2003 to 4.1% in 2006, permitting the establishing of a new target of 3.5% in 2009. Also, it was spotted a growing rate for the employed women from 52% in 2002 to 52.8% in 2007, having as a perspective the reaching of the level of 55% in 2010 and 60% in 2015. In the national strategies and in the sector programs, there are regulations regarding the national labor market and we identified the target groups affected by this crisis. These target groups are: the Rrom population, the handicapped, the young graduates, the women, the families with many children, the former delinquents, the alcohol and drug addicted people, the people affected by professional diseases, the refugees and the institutionalized. To these categories of population, there can be added the specific problems of the children whose parents temporarily work abroad and who are taken care of by an elderly person or other family members.

In this context, the sector operational program, the Development of the Human Resources 2007-2013 includes many intervention sectors. By this program the development of the local community is supported, for it to provide useful services for the people and the appearance of new actors in the economy capable of helping the growth of the number of opportunities in the labor market for the vulnerable categories and the realization of the social cohesion and solidarity. Another intervention program refers to a better access and a higher participation of the vulnerable categories to the labor market by taking supplementary measures accessible to the entire population, favoring a focused and personalized approach, including specific actions, the sensitization regarding the Rrom population.

Another intervention sector included in the Sector Operational Program, presents the promotion of equality of chances on the labor market by facilitating the access of the women to the economic areas, traditionally reserved for men, to leading positions or in politics, the fighting against the genre stereotype, the trade of people, the domestic violence, the discrimination and sexual harassment ,the creation of an exclusive labor market, the supply of special program for the women, requalification of the people presently employed in industries that represent a de-location risk. In this program, at the level of the member states, there were introduced transnational initiatives for an inclusive labor market by extending the area of collaboration with the other member states of the EU, professional and information exchange regarding the primary and the secondary legislation, the work procedures, the performance evaluation methodologies in the field of social protection and exclusion, the adaptation of the professional formation to the new technologies.

Because Romania has one the largest Romany population segments of the EU states, an initiative and a consequent promotion of concrete actions are necessary, this being done by the adoption of legislative measures and procedures according to the level of the entire EU regarding the specific problems of the Rrom. In this context, it is predicted that the number of social economy structures will increase from 3 in 2005 to 830 in 2015, and the number of participants at the qualification and requalification programs will rise from 6.487 in 2005 to 150.000 in 2015. Also the number of supported addicted people from 12.526 in 2005 to 40.000 in 2015 and the number of participants at the formation programs destined to the specialists in the sector of the social inclusion from 4.795 in 2005 to 10.000 in 2015. The Romanian labor market is sustained by the reduction of the active population (15-64 years old) with about 1,2% since 2007, parallel with a reduction of the inactive population with about 13%, because of the economic growth and because of a higher rate (at about 5.3%) of occupation of the active population.

3. Conclusions

As a member state of the EU, Romania has become a development assistance donor, being capable of give assistance to the states in development, states that are on the list of the Assistance Committee for Development OCDE in order to reduce poverty and unemployment. According to the European practice, Romania has adopted the National Strategy regarding the National Politics for International Cooperation for Development and the Action Plan for the application of this strategy establishing geographic priorities and sectors for a priority assistance direction , such as: the education and the professional formation, the occupation of the labor force, etc.

Presently, Romania tries very hard to align itself to the standards demanded by the EU in the sector of the occupation of the potentially active labor force that existed in the period between 2000-2006 of 57.9% in comparison with the EU percentage for the same period of 63.1%. Because of this, Romania beneficiates of allocations for the financing of the Human Resource Development Program for the period 2007-2013 from the European Social Fund, the sum being 3.5 billion Euros to which it will be added 613 million Euros for national contribution. To overcome the negative effects of the present crises, Romania will enterprise concrete actions to inform the

people that it is important to get involved in the financial assistance programs as a moral obligation for international solidarity and as a concrete way to beneficiate from financial aids from the outside.

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