

THE UNEMPLOYMENT RATE – AN ELUSIVE INDICATOR

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Abstract

This article presents the evaluation of one of the most important indicators in Romania, namely the unemployment rate. It aims to comparatively analyze the employment rate situation, the jobs availability for both Romania and other EU countries and the interest of young people in finding a job. The analysis shows a comparison between Romania and other EU countries, signaling a series of inconsistencies between the employment and the unemployment rates.

Keywords: quality life, economic development, job vacancy rate.

JEL Classification: E24

1. Introduction

The unemployment rate is a relevant indicator in assessing the quality of life, namely the level of economic development. But, like any indicator, the unemployment rate can also be a trap for some cases, depending on the method in which it is measured. The development level, the culture and the education level are some of the factors that may influence both the reality in terms of unemployment and the statistics which, depending on the context, can be misleading. One of the most frequent used definition given to the unemployed person is: the person that searches for a paid job, and who does not have such a job currently (Dobrotă, 1997).

Some authors approached the issue from a modern perspective and identified the “steady or natural unemployment”, which was considered beneficial to the balanced functioning of the economy, meaning that it motivates the busy to work better not to

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lose their job, thus increasing productivity. (Ilie, Simona apud Pop, Luana, 2002).

The aim of this paper is to draw attention on one of the most important economic indicators, namely the unemployment rate, which looked at in isolation, may be wrong for Romania. The investigation method involves analysis of Eurostat data on unemployment, watching the situation in Romania and other EU countries and comparing them.

2. Employment rate vs unemployment rate

If we take the year 2015 as a reference, we see that Romania had an unemployment rate of 6.8%, lower than the average in the European Union and much lower than other countries with a higher standard of living than Romania's: the unemployment rate was of 6.9% in the Netherlands, 10.4% in France and 9.4% in Ireland. Even against Germany, which recorded the lowest unemployment rate in Europe (4.6%), while also being the economic engine within Europe, Romania's situation was an optimistic one, especially if we take into account the decreasing trend of the unemployment rate in the recent years.

On the other hand, if we analyze the employment rate, we see that Romania recorded an index of 66%, about 4% lower than the EU average (70.1%). Also, if we compare the situation of other countries to that of Romania's, we see that their employment rate is significantly greater than Romania's: France (69.5%), Portugal (69.1%), Sweden (80.5%), Lithuania (73.3%), Ireland (68.7%), Bulgaria (67.1%). However, the anomaly occurs when we compare Romania's unemployment rate to that of the countries listed above. Although they have an unquestionably higher employment rate than that of Romania, the unemployment rate recorded in each of the countries is still much higher than in our country.

Table 1

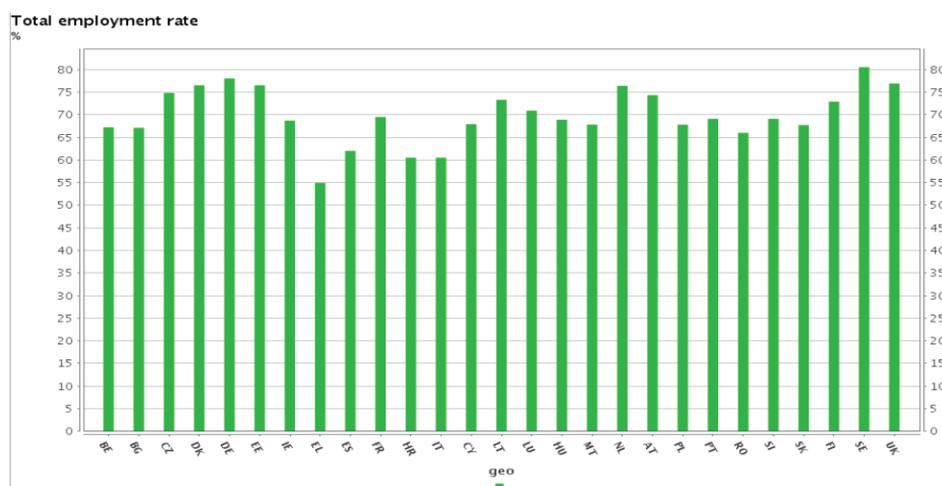
Employment VS Unemployment rate

Country	Employment Rate %	Unemployment Rate %
Romania	66	6.8
Portugal	69.1	12,6
Lituania	73.3	9.1

Irland	68.7	9.4
Bulgaria	67.1	9.2

Figure 1

Total employment rate



Source: Eurostat

In this respect, we should first mention the calculation methodology that determines the unemployment rate.

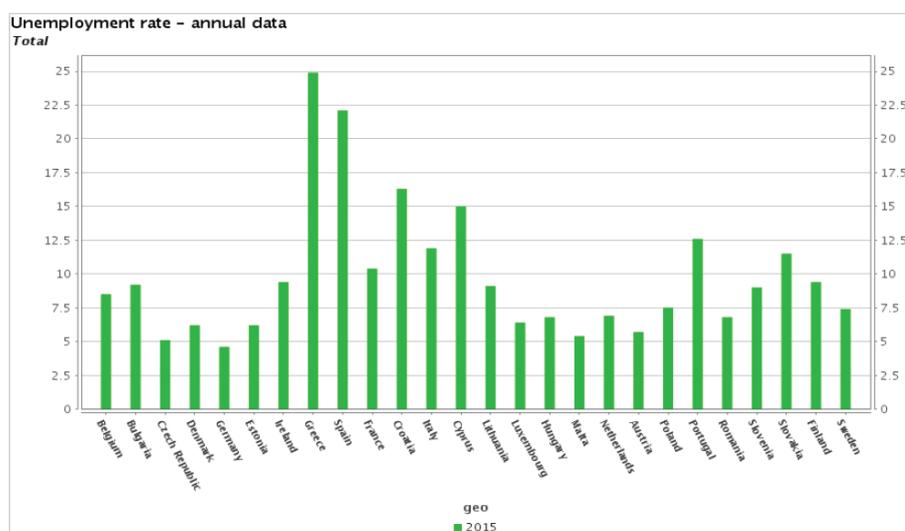
The unemployment rate is calculated as the ratio of the active labor force to the unemployed people. The unemployed are people aged 15 – 74 years old who do not have a job at the time the study is conducted, who are available to start work within the following two weeks and who were constantly seeking employment during the past weeks.

If we analyze Romania’s situation, we notice that most of the unemployed people are not taken into account in these statistics. The first reason is that those who are registered as unemployed but no longer receive the unemployment compensation are expunged from the database after six months if they don’t come back to the employment agency to renew their status. Also, the lack of jobs on the market discourages most Romanians from seeking a job, which makes them neither employed nor unemployed. “Emigration is not determined only by the level of the income but also by the distrust in institutions and policy makers”. (Marga 2011)

Another reason concerns the population settled in other countries that has job and which is registered as employed, thus discharging the lack of available jobs in Romania.

Figure 2

Unemployment rate



Source: Eurostat

3. Job vacancy rate

The job vacancy rate measures the percentage of vacant posts and is calculated using the following formula: number of job vacancies / (number of occupied posts + number of job vacancies) * 100.

In this respect, Romania no longer has a very good position, as it can be found by 0.5% below the EU average, with a total of 53,780 job vacancies.

Germany occupies a leading position, with a rate of 2.6% and a total of 1,027,151 jobs, followed by the UK with a rate of 2.5% and a total of 752,000 job vacancies. The countries with rates lower than Romania's are: Bulgaria (0.8%), Ireland (0.9%), Greece (0.2%), Spain (0.6%), Croatia (0.7%), Lithuania (1.00%), Poland and Portugal, both with an index of 0.6%.

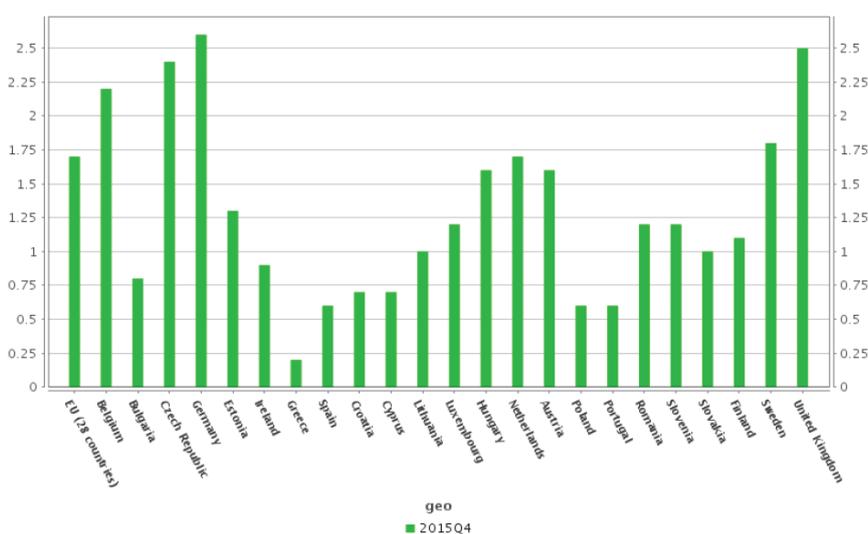
It is worth mentioning that not all job vacancies can find their candidate on the labor market, as many communities are not yet

ready for the new economic realities and schools do not prepare their students for the gradually diversified labor market. As Șfichi Cristina mentioned in her article *Unemployment in Romania during the crisis (2011)*: “Romanian economy will know the phenomenon of structural unemployment - people who want to work, but have minimum qualification required for available jobs.”

One such example can be found in Romania, in Alba County, where the unemployment rate exceeds by far the national average, while the investors complain they cannot find enough labor force to conduct their business. A wiring factory (Sumitomo) opened its gates based on the workforce available in the area. Although the company has offered 1,500 jobs only 900 of them were occupied, most of them with people from the surrounding areas. The investors mainly complain about the lack of training on technical areas but also about the magnitude of a generalized phenomenon in Romania, namely the convenience of living with the help of the unemployment compensation. “The more of a mismatch in skills there is between available jobs and jobseekers, the longer it will take for displaced workers to find new jobs.” (Gordon 1990). As a consequence the unemployment rate will be even higher.

Figure 3

Job vacancy rate



Source: Eurostat

4. NEET Indicator

A somewhat more realistic statistic is that related to the unemployment rate among young people between 15 – 24 years old, where Romania occupies a leading position in the European Union, with an index of 18.1 in the year 2015. In this respect, there are only three countries with higher percentages than Romania: Bulgaria (19.3%), Italy (21.4%) and Croatia (18.5%). Very large discrepancies are recorded between Romania and the Netherlands (4.7%), Germany (6.2%), Denmark (6.2%), Sweden (6.7%), Czech Republic (7.5%) and Austria (7.5%). One of the reasons has to do with the culture and perception of the young people towards finding a job. Thus, young people are accustomed to depend financially on their parents while studying, which makes it more difficult for them to detach from the advantages of a person who does not depend on a strict schedule. Another aspect refers to the fact that young people look for a job that matches their training, so that suitable jobs are harder to find.

Juan Somavia, the General Director of International Labour Office concluded that: "Creating jobs for youth is not enough. Across the planet, youth are not only finding it difficult if not impossible to find jobs, but also they cannot find decent jobs. We are facing not only an economic challenge, but a security threat of monumental proportions." (International Labour Office 2010)

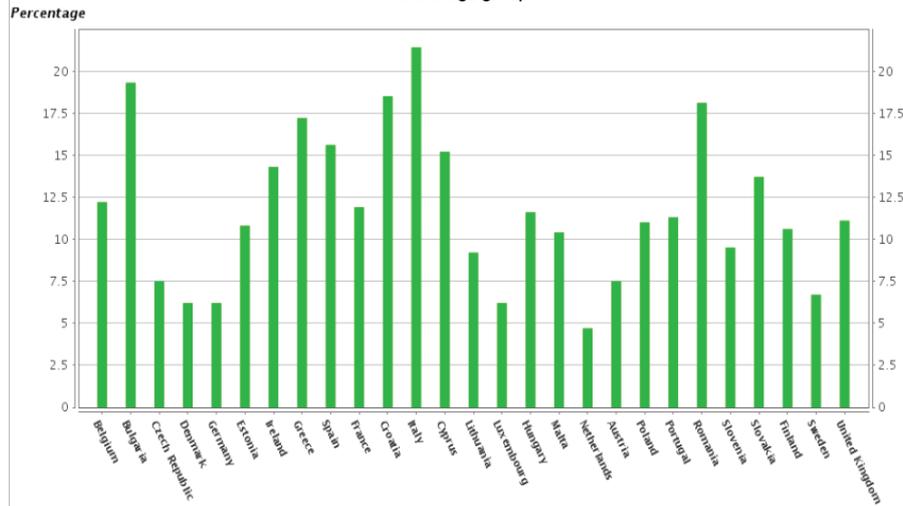
On the opposite side, young people from countries in Western Europe and not only, are encouraged to work during their study period, which makes them stick to the workforce or want to find a new job immediately after graduation.

The NEET indicator (young people neither in employment nor in education and training) offers important information about the group of young people aged 15 – 24 who are unemployed at the time of the survey or who have not received any kind of training for the past four weeks.

Figure 4

NEET indicator

Young people neither in employment nor in education and training (15-24 years) - % of the total population in the same age group



Source: Eurostat

5. Conclusion

In conclusion, we can say that one of the most important economic indicators, designed to reflect the economic development and the quality of life in a country, does not seem to be very significant for Romania. The problem of unemployment must be addressed primarily through the number of job vacancies and the possibility of their occupancy, so the corroboration of the job vacancies with the preparation level of the active population. Another suggestion refers to the method by which the unemployment rate is calculated, which should be improved and updated to be specific to each country. Thus culture, mentality and trust in certain institutions may influence the correct evaluation of certain indicators.

The most representative example is the comparison between Romania and other EU member states starting from the two criteria (the employment and the unemployment rates). Thus, if the employment rate is an easily measured indicator, as there are several ways to verify the number of the employed people, in terms of unemployment rate the system is facing numerous difficulties.

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