

## THE INFLUENCE OF ECONOMIC CRISIS ON THE LABOUR IN THE EUROPEAN UNION'S MEMBER STATES

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### Abstract

*The economic crisis is far to an end. After a recursion of the recession in 2012 and a continuance in 2013, its' effects are increasingly stronger and the most tangible effect is the poverty increase among the active population. It is due to the revenues decrease, to poverty and exclusion's risks, the attenuation of protection effects which are socially and initially carried out by the decrement of tax incomes and by the increase of expenditures level for social performances. These effects are being acutely experienced, particularly by the member states in the Southern and Eastern Europe. Therefore, at the E.U. point, one performed studies, one determined the causes and it is trying to find solutions. This scientific paper aims to analyze the main parameters onto one must interfere in and the actions that should be considered in order to increase population's standard of living.*

**Key words:** economic crisis, globalization, labour, labour market

### INTRODUCTION

In terms of the economic crisis that still persist, whereupon are added the globalization, the technological progress and last, but not least, population aging, the state economy within the E.U deals with serious issues in the field of labour, with a series of distortions onto the labour market, being identifiable by the means of coexistence of a labour shortage, in certain economic branches, but at the same time, having a lower degree of using it as a whole.

Financial and economic crisis effects have come forward by a reduction of workplaces and unassailably, releasing labour into unemployment, by restricting and slowing down the processes of creating new workplaces, having direct consequences locking young people's access at the labour market and labour market egress of people with assailable position.

### MATERIALS AND METHODS

In order to meet the need of information to be used for presenting the subject to be discussed, a bibliographical research and a

statistical research have been performed, through which data for the conclusions regarding the performed study were collected, processed and analysed. Statistical tables have been used by which data were presented in a tabular way. This is a method which allows the description of indicators on which the performed analysis is based, and the establishing of the existing connections between its component elements. Graphical representations have been used to emphasize the extent and/or variation of data subject to the statistical research in view of showing their evolution in time.

### RESULTS AND DISCUSSIONS

Poverty's significant growth among population of working age is one of the most tangible social consequences of the economic crisis, and a progressive decrement of unemployment could not be adequate for inverting this situation, if the salary polarization continues, mostly due to an increase of part-time labour cases, shows an annual Report of the European Commission. *Unemployment*, as we mentioned before, represented the most

obvious cause of the economic recession, had maximum limits for almost the last twenty years. According to Eurostat data, in 2013, the most affected countries in the E.U. were Greece and Spain where almost 60% of the young people were searching some working places, and the unemployment rate recorded values of 26.8% (Greece), respectively 26.9% (Spain). In Italy, the unemployment had a value of 17.6% in May, 2013. Romania has an unemployment rate of 7.5%, Hungary of 10.5%, and Bulgaria has a rate of 12.7%. At the opposite pole one may find Austria with 4.7%, Germany with 5.3% and Luxembourg with 5.7%, these countries becoming a destination for the emigration of population from the South-Eastern Europe. On the first place, as emigration destination, there is The United Kingdom of Great Britain and Northern Ireland, which is followed by Germany.

Table 1. The evolution of the main macroeconomic indicators at EU-27 level during the period 2011 – 2014

INDICATORS	2011	2012	2013 rating	2014 Prevision
GDP(real increase rhythm %)	1,6	-0,3	-0,1	1,4
Volume of private consumption (%)	0,1	0,7	-0,4	1,0
Volume of productive investments(%)	1,4	-2,8	-1,7	2,6
Unemployment rate (in % of active population)	9,7	10,5	11,1	11,1
Inflation rate (it is measured through the harmonized index of consumer prices, in %)	3,1	2,6	1,8	1,7
Budget deficit(in % of GDP)	-4,4	-4,0	-3,4	-3,2
Public debt (in % of GDP)	83,1	86,9	89,8	90,6
Balance of current payments (in % of GDP)	0,1	0,9	1,6	1,9

Source: European Commission: „European Economic Forecast Spring 2013”, 9 May, 2013 Brussels

In accordance with the papers published by the European Commission, relying on this basis, there was an absolute decrease of the private consumption volume, in particular the one of the real rhythm of productive investments, owed to the disadvantageous evolution of financial-banking situation and of the austerity measures adopted by Government in the most countries.

The evolution of the main macroeconomic indicators, at EU-27 level, is being presented in Table 1.

This way, one could summarize that on the basis on the analyzed, estimated and predicted indicators, the existing situation at EU's level was not improved. Although the inflation rate was decreasing, the investments level decreased, and the unemployment rate increased.

In the matter of the rhythm evolution for the economic increase in the EU countries, this was disadvantageous many times in 2013 than in 2012 and has contributed to the aggravation of contradictions between countries in recession and the other member states.

Table 2. Rhythm evolution for the economic increase and the unemployment rate in EU member states during 2011-2014 (I)

C.N.	Country	GDP's real increasing rhythm - in % -			
		2011	2012	2013 rating	2014 prevision
1.	Germany	3,0	0,7	0,4	1,8
2.	France	1,7	0,0	-0,1	1,1
3.	Italy	0,4	-2,4	-1,3	0,7
4.	Spain	0,4	-1,4	-1,5	0,9
5.	Netherlands	1,0	-1,0	-0,8	0,9
6.	Belgium	1,8	-0,2	0,0	1,2
7.	Austria	2,7	0,8	0,6	1,8
8.	Finland	2,8	-0,2	0,3	1,0
9.	Greece	-7,1	-6,4	-4,2	0,6
10.	Portugal	-1,6	-3,2	-2,3	0,6
11.	Slovakia	3,2	2,0	1,0	2,8
12.	Slovenia	0,6	-2,3	-2,0	-0,1
13.	Estonia	8,3	3,2	3,0	4,0
14.	Ireland	1,4	0,9	1,1	2,2
15.	Luxembourg	1,7	0,3	0,8	1,6
16.	Malta	1,7	0,8	1,4	1,8
17.	Cyprus	0,5	-2,4	-8,7	-3,9
	<b>Euro area</b>	<b>1,4</b>	<b>-0,6</b>	<b>-0,4</b>	<b>1,2</b>
18.	Great Britain	1,0	0,3	0,6	1,7
19.	Sweden	3,7	0,8	1,5	2,5
20.	Denmark	1,1	-0,5	0,7	1,7
21.	Poland	4,5	1,9	1,1	2,2
22.	Czech Republic	1,9	-1,3	-0,4	1,6
23.	Hungary	1,6	-1,7	0,2	1,4
24.	<b>Romania</b>	<b>2,2</b>	<b>0,7</b>	<b>1,6</b>	<b>2,2</b>
25.	Bulgaria	1,8	0,8	0,9	1,7
26.	Latvia	5,5	5,6	3,8	4,1
27.	Lithuania	5,9	3,6	3,1	3,6
	<b>European Union</b>	<b>1,6</b>	<b>-0,3</b>	<b>-0,1</b>	<b>1,4</b>

Source: European Economic Forecast – Spring 2013

Thus, Germany was the main economic power in the Euro area, being considered and “engine” of the European economic increase. But on the basis of the performed prognosis, one may notice a relative decrease from 0.7% in 2012 to 0.4% in 2013.

Also, for France it was predicted an absolute reduction of increase rhythm too in 2013, followed by a soft economic increase of 1.1 % in 2014. **Italy, Spain, Netherlands, Greece, Portugal, Cyprus and Slovenia** were in recession in 2013 too, and this situation will not be improved neither in 2014. (Table 2 and 3).

In Romania, the real increasing rhythm has decreased from 2.2% in 2011 to 0.7% in 2012, and the one in 2013 was estimated at 1.6%.

Table 3. Rhythm evolution for the economic increase and the unemployment rate in EU member states during 2011-2014 (II)

C.N.	Country	Unemployment rate – in % of the active population -			
		2011	2012	2013 rating	2014 prevision
1.	Germany	5,9	5,5	5,4	5,3
2.	France	9,6	10,2	1,2	1,7
3.	Italy	8,4	10,7	11,8	12,2
4.	Spain	21,7	25,0	27,0	26,4
5.	Netherlands	4,4	5,3	6,9	7,2
6.	Belgium	7,2	7,6	8,0	8,0
7.	Austria	4,2	4,3	4,7	4,7
8.	Finland	7,8	7,7	8,1	8,0
9.	Greece	17,7	24,3	27,0	26,0
10.	Portugal	12,9	15,9	18,3	18,6
11.	Slovakia	13,6	14,0	14,5	14,1
12.	Slovenia	8,2	8,9	10,0	10,3
13.	Estonia	12,5	10,2	9,7	9,0
14.	Ireland	14,7	14,7	14,2	13,7
15.	Luxembourg	4,8	5,1	5,5	5,8
16.	Malta	6,5	6,4	6,3	6,1
17.	Cyprus	7,9	11,9	15,5	16,9
	<b>Euro area</b>	<b>10,2</b>	<b>11,4</b>	<b>12,2</b>	<b>12,1</b>
18.	Great Britain	8,0	7,9	8,0	7,9
19.	Sweden	7,8	8,0	8,3	8,1
20.	Denmark	7,6	7,5	7,7	7,6
21.	Poland	9,7	10,1	10,9	11,4
22.	Czech Republic	6,7	7,0	7,5	7,4
23.	Hungary	10,9	10,9	11,4	11,5
24.	<b>Romania</b>	<b>7,4</b>	<b>7,0</b>	<b>6,9</b>	<b>6,8</b>
25.	Bulgaria	11,3	12,3	12,5	12,4
26.	Latvia	16,2	14,9	13,7	12,2
27.	Lithuania	15,3	13,3	11,8	10,5
	<b>European Union</b>	<b>1,6</b>	<b>-0,3</b>	<b>-0,1</b>	<b>1,4</b>

Source: European Economic Forecast – Spring 2013

According to the data published by NIS, the value realized after the first quarter of 2013 was at a value of 1.7%, and its improvement until the end of the year was a result of the great agricultural year and exports increase.

In accordance with the published data, Romania has recorded the biggest economic increase in EU in 2013, of 3.5%.

The unemployment rate has decreased from 7.4% in 2011 to 7% in 2012, predicting that this will be of 6.9% in 2013. Although, the effective rate was of 7.5%, and the unemployment natural rate was of 7.37%.

Even if, at the first sight, it could seem a reduction of unemployment, this is not sufficient enough as long as there is a salary polarization, in particular due to an increase of part-time labour cases that involve a high degree of vulnerability.

László Andor, the commissioner for employment, social affairs and inclusion, published a report in 2013, showing that “We must pay attention not only to create jobs, but job quality, in order to achieve a sustainable recovery that could reduce both unemployment phenomenon and poverty”.

The European Commission Report regarding employment in 2013 highlights the existence of a job that could help someone to leave poverty but only in half of cases, the result being determined by the nature of the working place, the number of members in a household that that salary should support, the situation of partner’s labour market, the expenditures with the household.

Also, the analysis specifies that contrary to the prejudices, a redundancy paid unemployed is more interested in searching for a job than another one which is not redundancy paid; in this situation could appear the disappointment and the loss of trust in its’ capacity of finding a job (Report of the EC, 2013).

At the E.U. level, the medium rate of employed people’s poverty is 9%. But, in Romania it had a value of 19% in 2012, in Greece of 15%, and in Italy and Spain of 12%, which that a significant part of the population, even if has a job, lives in poverty limits.

Also, Romania is on the first place at EU level regarding the number of people living in households with a standard of living under the poverty line because of the fact that none of the family’s members has a job.

Regarding the costs with the labour, these have increased due to salaries, remaining reduced and insufficient to cover all the household's necessities. This fact is also doubled by the increased fiscal stringency and it encourages black labour as a component of hidden economy. Romania has the most extensive hidden economy in the EU, with a value of 28.4% of GDP (Report of the EC, 2013).

In some countries in the Eastern Europe such as Romania, Bulgaria and Poland, social performances in connection with the unemployment phenomenon (unemployment benefit and specific performances for social assistance) do not cover the basic needs in a household, so they have as a result the accession of familial solidarity degree as well as the increase of informal or under the counter occupancy rate.

Incomes from labour cover almost 80% of employee necessities about insufficient salaries, the difference being completed by social transfers and parents' provisions.

Probabilities of descending under the poverty line or of its overtaking range between the member states. Some population categories are widely affected. Thus, adult young people, unemployed women and lonely mothers are fighting against more increased risks of permanent poverty. The absence of a visible redressing got up steam to households incomes in most of the member states and heightened exclusion's risks on a long term.

The real gross income of people's households has declined in 2011 in comparison with 2009 with a value of 17% in Greece, of 8% in Spain, of 7% in Cyprus and of 5% in Estonia and Ireland. In northern countries such as Germany, Poland and France there has been an increase of global incomes during the crisis due to the existence of some social protection systems which were well developed and of some strengthened labour markets. However, an extension of the crisis would lead to a general increase of exclusion risks on a long term.

These measures should be generalized for all member states. Concerning the efficiency in combating poverty, organizing national

systems for social protection is an important aim. One could remark that member states with similar levels of social expenditures record very different rates of reducing poverty. The taxation systems and those of social performances may influence in a significant way the results in employment field through certain facilities such as providing services for infant care, as a part of a strong factor favourable to restart professional activity, particularly among women.

*Reorientation of fiscal duty*, from labour to other sources (CO<sub>2</sub> emissions, consumption, possession) impels the employment. Thus, within this reorientation it is necessary to considerate the aspects which regard the allocation of fiscal duty when one could identify alternative sources in order to compensate incomes loss generated by reducing taxes onto labour.

One could reduce salaries by measures in improving competitiveness, but it will also reduce domestic demand for consumption; this could lead to redundancy within producing companies. Employees contribution to total incomes generated by the economy has decreased in Europe, while polarization between two categories of work places –the correct and incorrect remunerate ones- was overweight.

In the matter of the relation between the level of minimum wages and redundancies, one could notice that in the countries with a higher level of minimum wages, companies didn't act with a redundancy of people with a lower level of qualification; on the contrary there was a tendency of recording some higher rates in employment for these categories.

Another important aspect that should be highlighted here is referring to *gender disparities* that women fight with, phenomenon which decreased during the crisis period of time, but it still persist in the matter of participation at the labour market, remuneration and poverty risk.

In addition to this, women still have the tendency of working fewer hours than men and, even if this fact could reflect some individual preferences, it leads to reduced

possibilities in career development, smaller salaries and future provisions, total unexploited human capital, and as a consequence, an economic increase and a more reduced prosperity. Therefore, gender disparities generate both an increase of economic costs and social ones.

Analysing gender disparities situation in relation to the number of working hours in E.U. member states, one could remark differences from a country to another. Thence, in Holland, Germany, Austria and Great Britain, an increased number of women are working, but the timetable is relatively short, in many countries from Central and Eastern Europe, such as Spain and Ireland, women's involvement is more reduced, but the employed ones have a tendency of working relatively more, while some member states (mainly Northern and Baltic countries) combine increased rates of feminine employment with a decreased level of gender disparity concerning working hours.

There was a prosecution of increasing macroeconomic, social and employment discrepancies, threatening EU central objectives, such as the benefit for all its members by promoting an economic convergence and improving citizens' life from all member states.

The analysis made at European Council level prove that actual discrepancies are based on the introduction of Euro currency, which created deficiencies resulted from lopsided increase based on debt accumulation in some member states, as a result of low rates of interest, of the capital growth at high level, being sometimes related to evolutions not as obvious as for productivity and competitiveness.

In the absence of a certain possibility of *currency devaluation*, states from Euro area are trying to regain costs competitiveness and they should base on domestic wages devaluation (wages and prices control). However, this policy has its limits and inconveniences, particularly for unemployment increase and social difficulties, while its efficiency depends on many factors (economic opening, the resistance of foreign

demand, policies and investments presence which encourage the competitiveness that is not based on prices).

## CONCLUSIONS

The main challenges of the European area facing with the employment field are as following:

- **demographic:** an accentuate aging and reduction of labour resources;
  - **participation on labour market:** the increased level of unemployment and its progressive tendency, mainly for youth unemployment; the high number of youth that are not working, educated or trained; the reduced participation of old people and of ones with lower level of qualification; the increased incidence of unemployment on a long term; a flexible labour market, a dynamic one, more rapid and efficient transactions; the development of a proper policy in order to stimulate creation of new jobs within potential sectors (eco - efficiency, IT, health); the consolidation of human capital by developing some new abilities and competences; the guarantee of a better concordance between offered competences and their demand on labour market;
  - **social protection:** the accession of poverty level in particular for the working population; the assurance of a proper social protection which could stimulate the activation, maintaining at the same time the purchasing power; a better appropriateness of measures regarding the inclusion of vulnerable groups; the unsuitable level and degree of covering the social protection system, poverty trap, poverty risk and low-incomes trap.
- Crisis impact highlighted the fact that economic realities proceed faster than public policies. In recent years, at European level, millions of persons lost their jobs and they were affected in a bigger way by poverty and social exclusion, and this position imposed upon the enactment of some reformations and measures in order to improve the situation.

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