

## **COMPARATIVE ANALYSIS OF EMPLOYMENT - ROMANIA AND E.U., FOCUSED ON THE AUTOMOTIVE SECTOR**

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### **ABSTRACT**

*The human resources are important in all business areas and the automotive industry represents a significant source of employment. Manufacturers of automobiles and automotive parts in Romania have started hiring in force since the beginning of 2011, and it is expected that the number of employees in this field will grow. It is estimated that each direct auto job supports at least another 5 indirect jobs in the community. The European automotive sector employs more than 12 million Europeans either directly or indirectly.*

*The aim of this paper is to provide a basis for discussion about the dynamic of jobs in Romania and in EU27, focused on the automotive industry in the economic crisis context.*

### **KEYWORDS**

*automotive industry, crisis, employment, EU27, Romania*

### **INTRODUCTION**

Before the present economic and financial crisis there was a trend of increasing the employment in the automotive industry of the new EU Member States because some companies have expanded their production capacity by investing in these regions, a thing that has been noted in Romania too. This situation was due to certain benefits offered by the new Member States, such as: the skilled labour, tax policy, lower labour costs, proximity to major markets.

The effects of the economic and financial crisis started to be felt in the Romanian economy during the fourth quarter of 2008. Thus, there was a decline in demand and production of vehicles, the suppliers and the Original Equipment Manufacturers facing significant reduction in new orders, longer payments deadlines, pressures to reduce the direct impact of prices on the financial situation of companies; demand has fallen rapidly as consumers and firms have postponed their purchase of new cars.

It is known that during economic recessions the demand for new cars reduced and generally, households and businesses cancel purchases of large expenditure items, but difficulties in accessing credit are exacerbating this effect. In addition, increasing oil prices and slowing household income growth contributed to reducing car purchases. All this inevitably led to a reduction in the number of jobs. Initially, they tried to take short term measures in several sectors of industry, such as temporary shut-downs, shorter working weeks, early retirement, cutting wages.

### **THE EMPLOYMENT IN EUROPEAN UNION AND ROMANIA**

In June, 2010, the European Council adopted the Europe 2020 strategy for smart growth, sustainable growth and inclusive growth (inclusive growth refers to fostering a high-employment economy delivering economic, social and territorial cohesion). One of the

targets set through Europe 2020 Strategy is that 75% of the population should be employed: “the employment rate of the population aged 20-64 should increase from the current 69% to at least 75%, including through the greater involvement of women, older workers and the better integration of migrants in the work force”(1).

Increasing the employment rate of the population aged 20-64 is one of the national objectives in accordance with Europe 2020 strategy, Romania target for 2020 being 70%.

The employment rate is calculated by dividing the number of persons aged 20-64 in employment by the total population of the same age group, using the data in Table 1 and Table 2:

Table 1. Population (15 to 64 years) in EU27 and Romania (thousand persons)

	2008	2009	2010
European Union (27)	330412.8	330898.0	331157.2
Romania	15042.3	15028.2	14999.4

Source: Eurostat

Table 2. Total employment in EU27 and Romania (thousand persons)

	2008	2009	2010
European Union (27)	221673.3	217812.8	216449.2
Romania	9369.1	9243.5	9239.4

Source: Eurostat

Although the trend was the increase of population number in age group 15-64, employment has declined both in 2009 compared to 2008 and in 2010, the trend being valid for both the EU27 and for Romania.

Table 3. Employment dynamics (15 to 64 years) in EU27 and Romania (%)

	2009/2008	2010/2009
European Union (27)	98.26	99.37
Romania	98.66	99.96

Source: Realized by the authors based on the dates from Eurostat

Analyzing this trend in terms of indices, according to Table 3 one can notice a lower decrease in employment for Romania compared to EU27.

Table 4. Employment rate (15 to 64 years) in EU27 and Romania (%)

	2008	2009	2010
European Union (27)	65.9	64.6	64.2
Romania	59.0	58.6	58.8

Source: Eurostat

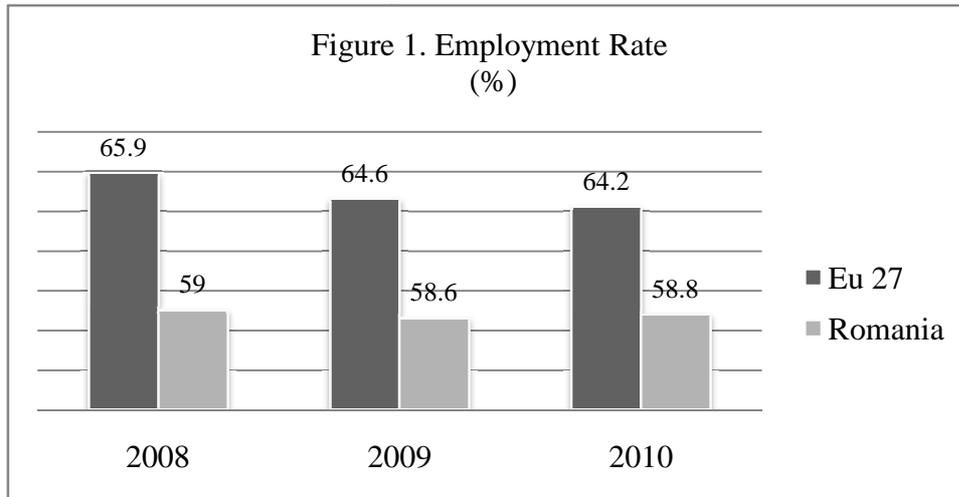


Table 4 and figure 1 shows that in Romania, the employment rate is below the EU27 average, but after a decrease in 2009 compared to 2008, in 2010 a slight increase can be noticed (from 58.6% to 58.8%), while within EU27 this indicator continued to decline (from 64.6 % to 64.2%).

According to the latest statistics of the Ministry of Labour, Family and Social Protection of Romania, in late June 2011, the national unemployment rate registered was 4.78%, lower by 0.19 percentage points than that in May of 2011 and lower by 2.72 percentage points than in June of 2010.

The National Institute of Statistics Romania (11) announced that in the second quarter of 2011 the employment rate for the population aged 20-64 years was 63.1%, at a distance of 6.9 percentage points of the national target of 70% established in the context of the Strategy Europe 2020.

In the second quarter of 2011, the economically active population of Romania was 9921 thousand persons, out of which 9210 thousand employed persons and 711 thousand ILO unemployed persons. The employment rate of working age population (15-64 years) was 58.8% and decreased from that recorded in the corresponding quarter of previous year (-1.3 percentage points) and increased to that of the previous quarter (+0.8 percentage points).

According to OECD (12) , the employment would have to grow at an annual rate of at least 1.3 percent in order to return to the pre-crisis employment rate by 2015.

## THE EMPLOYMENT IN THE AUTOMOTIVE SECTOR

The automobile industry operates 297 vehicle assembly and engine production plants in Europe, including 241 in the EU27 and 4 plants in Romania. Typically, automobile plants group a large number of automotive suppliers at the same location or in the vicinity (10).

The automotive industry, which represents 3% of Europe's gross domestic product, 7% of employment in the manufacturing sector and 8% of EU governments' total revenue, is a pillar of the European economy (4).

The automotive industry represents a significant source of employment. A communication from the Commission of the European Communities (1), "Responding to the crisis in the European automotive industry" of February, 2009 states that the EU automotive industry is a huge employer of skilled workforce, directly employing over 2 million people but responsible for some 12 million jobs. This corresponds to 1% of total employment in the EU-27. Therefore the automotive industry is a significant source of employment.

European Commission Vice President Günter Verheugen, responsible for enterprise and industry policy, claims that the European automotive industry is the most competitive and innovative industry in the world.

A communication of February, 2009 of the Commission of the European Communities “Responding to the crisis in the European automotive industry” (1) states that the EU needs a dynamic and competitive automotive sector, but the economic crisis has put the automotive sector under particular pressure. According to the Commission, the difficult situation of the European automotive sector has three major reasons: a sharp and uniform drop in demand for vehicles, problems with access to credit financing and fears of liquidity shortages, the industry suffers from longer-term structural problems pre-dating the crisis. However, according to ACEA (3), recovering from the very low levels of 2009, vehicle production in the EU progressed on a slow recovery path in 2010, growing by 11% (in Romania, by 18.4%.); output was still 8% below levels reached in 2008.

A report of Competitive Automotive Regulatory System for the 21st century (CAR’s 21) states that “the generation of employment within an increasingly research-intensive sector means that a large part of the jobs it provides draw on a highly skilled workforce and contribute to the development and implementation of modern education and training systems as well as new organisational methods”. Championed by the European Commission, the CAR’s 21 initiative (launched in 2005) aims to strengthen competitiveness and employment in the automotive sector while enhancing progress toward safety and environmental goals - at a price affordable to the consumer. CAR’s 21 has examined the major European policy areas which have a potential impact on the competitiveness of the European automotive industry.

The labour productivity in Romanian industry registered a growth of 10.0% during January, 1<sup>st</sup> –May, 31, 2011, as against the same period of 2010. In manufacturing the productivity increased of 9.5%. According to Ward&Loire (9), labour productivity in the automotive industry is significantly higher – around 30% higher – than in manufacturing in the EU as a whole and in Romania, labour productivity in the automotive sector is under than 10% of the EU average.

In May 2011, the number of employees amounted to 4155.0 thousand persons by 24.3 thousand persons higher than in April 2011 (according to National Institute of Statistics, Romania).

According to statistics of Ministry of Labour, Family and Social Protection, the first five months of 2011, the automotive industry is among the sectors that have made the most employment in Romania. However, according to Hagiú&Ungureanu (7), coordinated policy is needed and should be encouraged the competitiveness in the automotive sector.

Table 5. Number of employees - thousand persons -

Branches	Number of employees on			
	31.V.2010	31.XII.2010	30.IV.2011	31.V.2011
Manufacture of motor vehicles, trailers and semi-trailers	116,6	121,3	125,8	126,2
Manufacture of other transport equipment	28,0	25,8	25,8	25,7

Source: Romanian National Institute of Statistics, Monthly Statistical Bulletin 5/2011

As can be seen in Table 5, the number of employees in the branches analyzed increased, which is a positive sign.

## CONCLUSIONS

The global recession has had an unexpectedly large impact on the global car market. According to OECD, the most fundamental and quantifiable effects of the current crisis are the reduction of GDP, trade flows and an increase in unemployment. In the Euro area, the unemployment rate was 9.5% in May 2009, 0.2 percentage point higher than the previous month and 2.1 percentage points higher than in May 2008.

The OECD's Directorate for Science, Technology and Industry says that the crisis provides an opportunity for both governments and the private sector to transform the automotive industry. Thus, ballooning losses already have accelerated the development of strategic alliances, which could contribute to more joint R&D and production platforms and a more effective division of labour.

As might be expected, the economic crisis had a negative impact on employment also in the automotive sector. The total number of employees and the employment rate decreased due to the current crisis. In Romania, the employment rate is below the EU27 average.

However, recent statistics show a reduction in unemployment rates in Romania, this situation can be considered a first step towards economy re-stabilization because a strong economy requires an increase in employment rate, so more people of working age should be brought to the labour market.

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