

## Public Policies on Unemployment

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### Abstract

*The policies designed to combat unemployment encourage salary migration from declining industries to expanding ones and to specializations that trigger labor market demands. Some measures should mainly aim at avoiding long-term unemployment, providing financial support to vulnerable groups and preventing the erosion of the population's trust in reforms. The measures of reducing labor supply policies initially focused on older workers. Romania has adopted a series of rules on early retirement, but it should be noted that early retirement schemes are difficult to apply on a large scale because they are particularly costly. They can be applied rather as an ancillary method in the event of mass redundancies or when the long-term unemployed are close to the retirement age.*

**Key words:** reform, unemployment, population, policies, training.

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### 1. Introduction

In Romania, the administrative sources are represented by the Ministry of Labor and Social Protection; it provides data on the total number of unemployed, classified by age groups, duration of unemployment and number of persons included in qualification/ re-qualification programs.

The employed population includes all the persons (aged from 15 years upwards) that in the reference year have carried out an economic and social activity generating income.

The registered unemployed are the persons aged 18 and over who cannot be employed for lack of available jobs and who have registered at labor and unemployment offices. The active population represents the employed population plus the unemployed. The unemployment rate is the ratio between the number of the unemployed registered at labor and unemployment offices and the active population.

### 2. Employment and unemployment

There are several types of employment subsidies. One of them implies subsidizing a part of the new graduates' salary; thus, the company employing graduates receives a grant for a period of 9 months, covering 60% -70% of the minimum salary. A second type would consider wage subsidies for certain groups of employees, the source of the funds being the unemployment fund. Although theoretically this method seems attractive, the international experience has shown that there has been an insignificant increase in the number of jobs. The theory would be that the state, instead of giving unemployment benefits, would give the unemployed a voucher that would ensure that the expenses from the unemployed's salary would be covered after s/he finds a job. Experts state that the failure of this method was not due to the idea itself but to the deficiencies in the design and implementation of such a measure.

Some economists support the idea that the state should pay companies subsidies for salaries or provide tax cuts for those who hire unemployed people. Subsidies may be general or specific. In the first case, they are designed to reduce cyclical unemployment, while in the second case, they aim at reducing structural unemployment. The extent to which employment will increase will depend on a number of factors: the subsidy size, elasticity of supply and demand.

No clear conclusions can be drawn regarding the influence of such programs on the unemployment rate or on the natural rate, although employment within the envisaged working class will increase. One reason would be that the low-skilled subsidized workforce would replace a more skilled workforce. In addition, companies will not be encouraged to provide training to their workforce, as these employees might no longer be eligible to receive subsidies.

These programs could increase the likelihood that, in the near future or further away, those employees will be confronted again with structural unemployment, as technological changes occur.

Few economists consider direct subsidies to be the only or most important remedy for cyclical or structural unemployment, although many agree that this approach is preferable to the variant suggesting job creation in the public sector.

### **3. The reform on public policy formulation**

Unfortunately, public policies in Romania are still influenced by the effects of the communist period, when they were rather a social control mechanism than a state welfare premise. The effects of this period are also felt today since social policies rather entail addiction to the state.

The reform on public policy formulation refers to the modification of the assumptions underlying public administration activities (I. Băbăiță, G. Silasi, A. Duță, op. cit., p. 95). Improving the administrative system also means adopting certain visions of what is good or bad within the administration.

The formulation of public policies is based on a set of procedures that correspond to an organizing way at public administration level. Organizing the activities related to public policy formulation through specific procedures aimed at increasing the organizational efficiency of the administration rather than the content or quality of the public policy itself (Prisacaru, p. 119).

The purpose of public policies is to deliver public goods effectively. The efficiency of public policies depends on two central processes. The first one is represented by the political relationship between public goods suppliers, public authorities (as organizational entities) and the constituents to whom the respective good is addressed. The second process has an economic nature, i.e. it refers to the actual process through which the good is supplied, produced and distributed.

### **4. Prospective unemployment policies**

A policy cycle consists of the stages involved in the establishment of public policies. Establishing and clearly delineating these steps are particularly important in understanding the processes of formulating, implementing and assessing public policies. They allow a clear understanding of developed policies and of the role played by each actor in their elaboration.

In Romania, after 1989, public policies have responded only partially to their role of contributing to the subsistence of the population, rather than to the development of the society. Although a reformation of the system inherited from the old regime has been attempted repeatedly, it has not succeeded in changing the system or in adapting it to the society's needs and to new needs that have emerged. In addition, there has been no real increase in the resources allocated to social services; these resources were absolutely necessary and without them the precarious state of the social field can not be overcome.

Within our society, there has been registered an increase in the poverty phenomenon and in the social exclusion phenomenon, entailing major social influences, all because of the high social costs that the population has to bear.

The reformist measures adopted during the transition period failed to bring about major changes in terms of the important roles played by social policies. Due to these measures, the contributive model for public policy funding predominates in Romania.

As far as Romania is concerned, the poverty phenomenon has increased since the 1990s; there were two periods when Romania reached a high poverty level, i.e. 1991-1993 and 1997-1999. Thus, a significant population segment failed to overcome this state of poverty.

It is considered that the main driver of poverty reduction in Romania is represented by economic growth. However, we believe that it is necessary to formulate policies that target specific areas and groups, specific policies adapted to the specific causes that triggered the poverty of the communities and groups concerned. This is due to the fact that, although significant progress has been made in reducing absolute poverty, there are still large discrepancies between urban and rural living standards, and regional inequalities are particularly noticeable.

Poverty reduction policies need to differ according to the fading or chronic nature of poverty. Fading poverty suggests the inability of families to divide their consumption over time; chronic poverty is the result of low property endowment and their reduced yield.

## 5. Conclusions

Therefore, public policies are defined by the citizens whose situations, interests, behaviors are affected by these acts and provisions. The analysis of policies is based on developing methodologies in order to determine the results of a certain policy and to make comparisons between alternative policies in terms of their outcomes.

Due to the transition stage of our contemporary society, the speed and fluidity of change, their unpredictability and uncontrollability, and especially professional insecurity, with all its consequences, lead to a significant effort and energy consumption, often with negative repercussions on the individual level. Unemployment also has repercussions on the social market in market economies; it presents major risks, multiple and lasting effects over time, because unemployment is also a factor in expanding and deepening poverty for the unemployed and their families. It can affect businesses, economy branches, geographical areas, jobs or professions.

In our opinion, unemployment can also represent a factor that stimulates crime and black and grey markets; it may also lead to the provision of social assistance subsidies even when the respective persons do not need them, deceiving thus the state.

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