

## **Demo-economic restructuring in South-Muntenia development region. Causes and effects on the regional economy**

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**Abstract.** *The social effects were always at the core of economic theories and policies. Each person has two key roles: as a factor of production and the role of consumer, which reveal its importance for the development of certain economies. This paper focuses on researching the causes that generate migration flows and demographic changes in South-Muntenia Development Region. This approach involves the use of mathematical economic tools to support empirical assumptions. The analysis performed is useful to highlight the main changes in the behavior of individuals, as a result of major restructuring undergone by the regional economy in the last two decades.*

*Firstly the economic effects of the declining population which is serverly increasing in the rural areas are analyzed. Development disparities (social and institutional infrastructure, basic public services and utilities, etc.) determine individual migration from rural to urban centers in the hope of a higher standard of living. Also, another important reason that decreases the number of rural residents is the declining birth rate. In this regard, the quantitative analysis is necessary to determine the link between the economic and social indicators, and captures the influence of behavior change in the demographic balance as a result of economic changes.*

**Keywords:** sustainable development, labor market, demographic, migration flows.

**JEL Classification:** O11.

**REL Classification:** 5G, 15D, 16J.

## **Introduction**

In the twentieth century, especially in the second part of its intensified research on the relationship between population dynamics and the evolution of the economy. Researchers from academia, but also key players in government or private companies are directly interested in direct relation to the economy generated by demographic movements.

Demographic profile of the European continent has changed significantly in the last century. Demographic changes associated with aging of the "baby-boom" and the free movement of persons within the European Union, has significantly changed the demographic structure of countries that acceded to the European construction progressively. Migration and aging have been and remain factors that influence labor market of any economy, with large long-term implications regarding the ability of pension systems to support current and future sustainable elderly pensioners, current contributors.

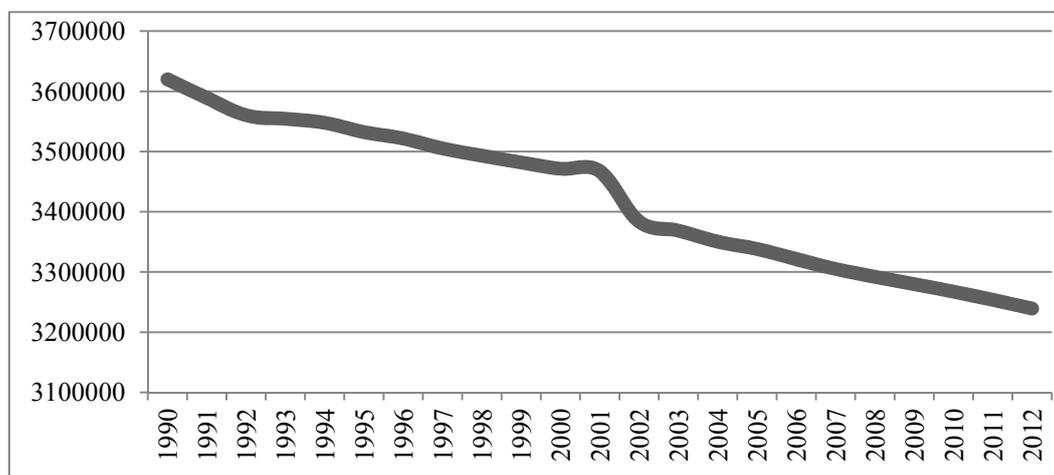
Romania not ignores this trend the European continent albeit a temporary difference of almost a century. The basis of this process was the delay differences of economic development and social policy compared to Western countries.

## **The causes of population decline in South-Muntenia development region**

The demographic aspects highlight the risks of a territory due to the fact that people influence the development of all of its features: number, education, occupation, birth, death, aging, migration balance. All these features are interrelated and highlight the positive/negative effects that they have on the economy.

The population from the Sud-Muntenia region is facing a severe declining process due to these following factors: aging, reduces fertility and negative net migration. More serious is that population decline in rural areas where the standard of living is already low, is more pronounced. This presents itself as a lasting obstacle and very difficult to repair in regards to the integrated development of the region. Looking ahead, these phenomena will increase in intensity and generate multiple effects on society and the economy.

**Graph 1.** Demographic development in South-Muntenia region (number of persons)



Source: National Institute of Statistics.

Demographic decline in the South-Muntenia accelerated significantly during the transition, the population decreased by 380,549 inhabitants by 2012, according to the National Institute of Statistics. The largest decrease was recorded in the southern counties, Giurgiu and Teleorman. Considered an economic force before 1989, due to the production of grain and food products, these counties currently have a process of stagnation or even economic decline, because dozens of businesses have closed or reduced their activity with restructuring and privatization.

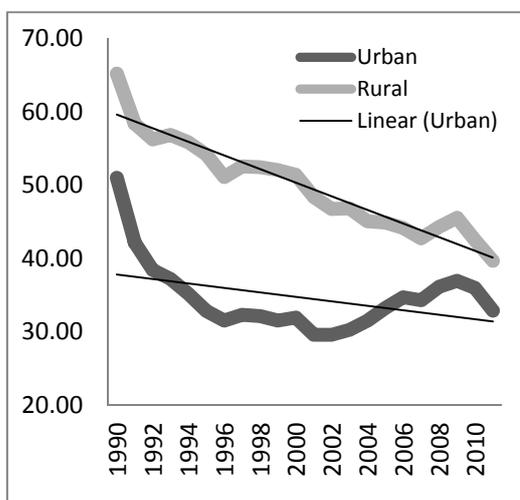
**Table 1.** Evolution of the number of people in South-Muntenia

	The absolute difference of the total population 1990/2012	The procentual difference of the total population 1990/2012
<b>Arges</b>	-41.781	-6%
<b>Calarasi</b>	-41.139	-12%
<b>Dambovita</b>	-42.125	-7%
<b>Giurgiu</b>	-46.320	-14%
<b>Ialomita</b>	-24.954	-8%
<b>Prahova</b>	-71.717	-8%
<b>Teleorman</b>	-112.513	-22%
<b>Total</b>	-380.549	-

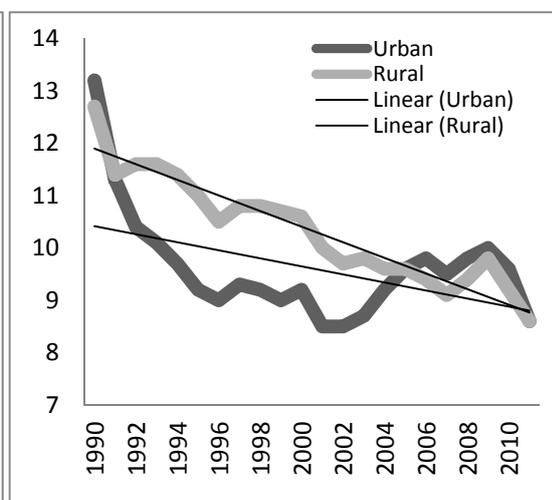
Source: National Institute of Statistics.

Economic restructuring in the poorest counties in the southern region has meant the loss of tens or hundreds of thousands of jobs, with direct effects on poverty, unemployment and the prospects for economic and social development. Under these conditions the behavior of individuals has changed the family adjustment plans, these were due as well by increasing incentives to migrate in search of jobs.

**Graph 2.** Fertility rates in South-Muntenia development region



**Graph 3.** The birth rate in South-Muntenia development region



**Source:** National Institute of Statistics.

- On the long term, low birth rates contribute directly to reducing the share of young people, resulting in negative implications for the economy and society. The demographic is influenced by many factors that affect both birth rate and fertility rate. It notes in this regard:
- Freedom of couples to decide when and how often they want to have children and easier access to birth control;
- Changes in the populations mentality on the establishment a family;
- Unstable economic environment which began with the transition from socialist economy to the capitalist economy and the recent financial crisis, which causes instability of employment or unemployment;
- High cost of child care and limited access of young people in their own home ;
- Empowerment of women who wanted to increasingly participate in economic activities outside their own household;
- Increasing the duration and level of education asked the labor market;
- External migration elderly procreation

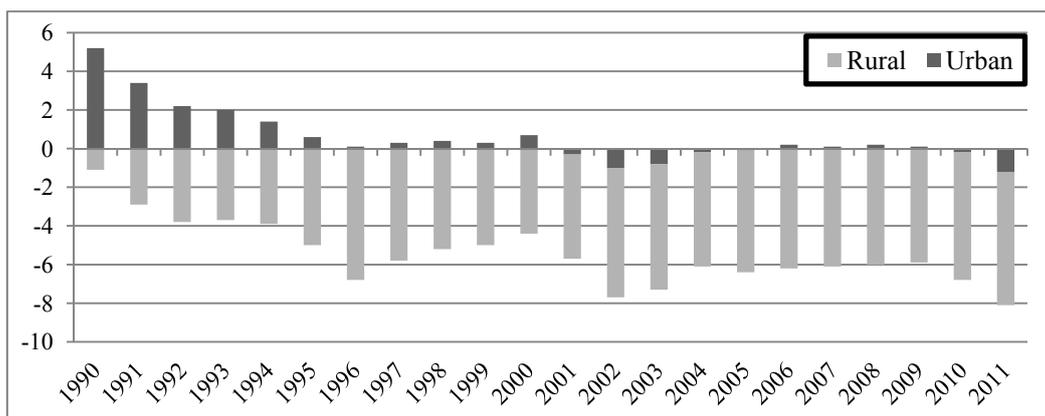
**Table 2.** The correlation coefficient (Pearson)

	The number of marriages	Average age of mothers at first birth	Fertility rate	Number of graduates	Unemployment rate	Disposable income (euro / person.)
The birth rate	78,4%	-76,8%	99,2%	-59,7%	-18,2%	7,5%
Fertility rate	77,5%	-73,6%	-	-57,9%	-23,6%	24,6%

**Source:** Author's calculations based on National Institute of Statistics and Eurostat data.

According to the analysis of socio-economic indicators, using the Pearson correlation coefficient (indicating connection direct/indirect and intensity, the two data sets), the biggest influence on the birth rate (number of births per 1000 inhabitants) and fertility rate (number of children born to every 1,000 women in childbearing age) are determined rather by changes in social behavior, and not by economic factors. The decrease of these two rates causes a negative natural balance due to the weakening ability to replenish the population. In this case, it is noted discrepancies between urban and rural areas in terms of population growth.

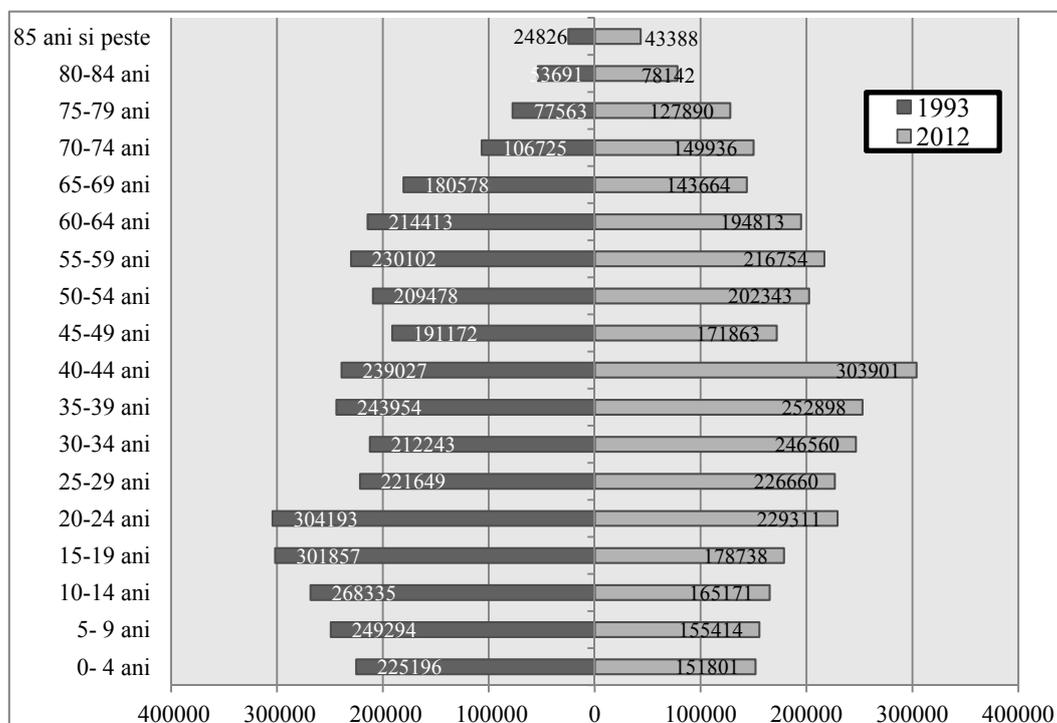
**Graph 4.** Natural growth rate in the South-Muntenia



**Source:** National Institute of Statistics.

In the rural environment the mortality rate is higher because of the lower income, the exodus of fertile population and the number of aged people. Although it is said that in the rural areas people are living a healthier lifestyle, reduced access to healthcare takes its toll on the average life expectancy of its residents.

The populations pyramid offers an image of the population distribution and its shape, reflecting the significant influence on production and income. As the middle section of the population, representing the most productive class of the labor market and supporting the maintenance costs of young and older people (adult population aged between 20 and 59 years), is bigger, the tax base and the sustainability of social systems is higher.

**Graph 5.** Population pyramid in the region South-Muntenia development region (number of people)

**Source:** National Institute of Statistics.

To have a deeper understanding of the demographic ageing, you can use various indicators consecrated in specialised literature. The aging index (ratio of the population aged over 60 years and population between ages of 0-14) shows the community's capacity for regeneration. Another relevant indicator is the percentage of elderly in the total population. This report can be used in comparative analyzes to reveal the attractiveness of rural areas than urban areas for people in different age structures.

**Table 3.** The degree of population aging

	Index of aging (Population 64 / population 0-14)		The share of older people in an area (population +60 / total population)	
	Urban	Rural	Urban	Rural
<b>Regiunea Sud-Muntenia</b>	76,1%	58,8%	18,0%	25,9%
<b>Arges</b>	82,8%	58,4%	16,1%	25,6%
<b>Calarasi</b>	89,7%	65,2%	17,3%	25,9%
<b>Dambovita</b>	82,8%	70,8%	16,5%	22,4%
<b>Giurgiu</b>	81,0%	54,0%	17,7%	27,8%
<b>Ialomita</b>	96,5%	64,3%	16,3%	26,5%
<b>Prahova</b>	62,0%	66,3%	20,7%	23,0%
<b>Teleorman</b>	71,6%	37,2%	18,4%	34,2%

**Source:** Author's calculations based on National Institute of Statistics and Eurostat data.

The degree of aging is higher in rural areas. Renewal capacity of generations, in the year 2012 in urban areas is 76.1% while in rural areas only 58.8%. The share of the elderly population is higher in rural areas than in urban areas for each county in the region.

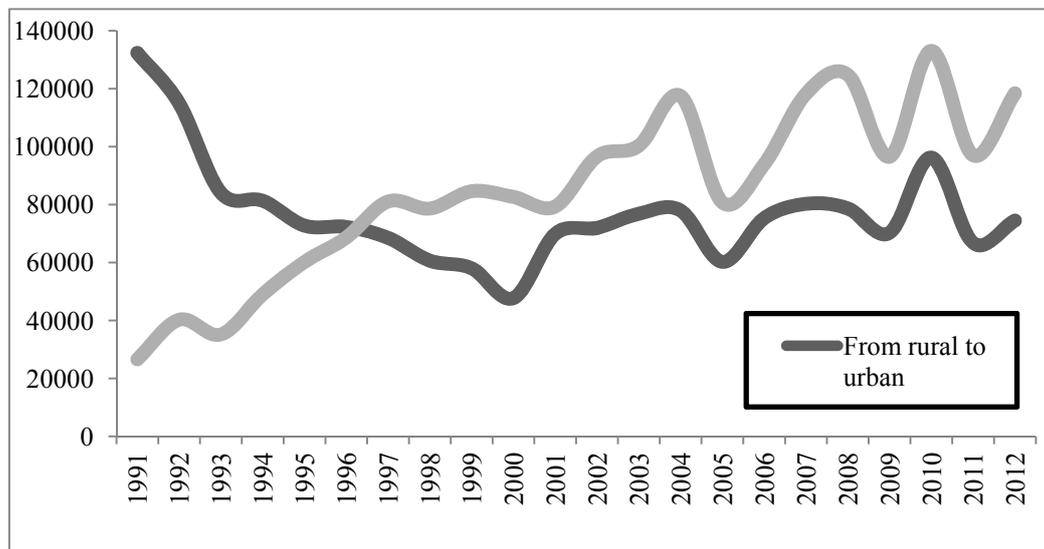
Through the movement of the 1970-1990 generations to the top of the demographic pyramid, which is considered to have a high natality rate due to the pronatality policies, the current demographic trend will produce future effects in the economic plain and specially in the social one. These persons are still active on the labor market from the Sud-Muntenia region, but starting with 2015-2020 there will be a chain withdrawal from the economical activity, this will directly affect the labor market and also the sustainability of social services systems.

Because of births and deaths, the number of the population will change, not only in the communes in the region, but also in the exodus from the territory. Due to the migration of young population searching for more attractive jobs in the urban areas, the depopulation process is a real demographic problem.

The problem concerning the rural area is the fact that the older population is replacing the younger population. In the early 90s, migrants to urban areas came from all age groups. The trend has changed in the second half of the decade, when young people began to leave the rural areas and older people migrating to the countryside. The countryside has become increasingly attractive to the population over 65 years, who are usually more vulnerable in the labor market in urban areas.

The exodus of young people is a significant demographic challenge for sustainable rural development. The regional development, as well as the youth development (in an educational, social and professional sense) depends on the sum of services available in the territory, the training opportunities, area resources and last but not least, on the opportunities from the local labor market.

**Graph 6.** Evolution of internal rural-urban migration flows in the region of South-Muntenia development region (number of people)

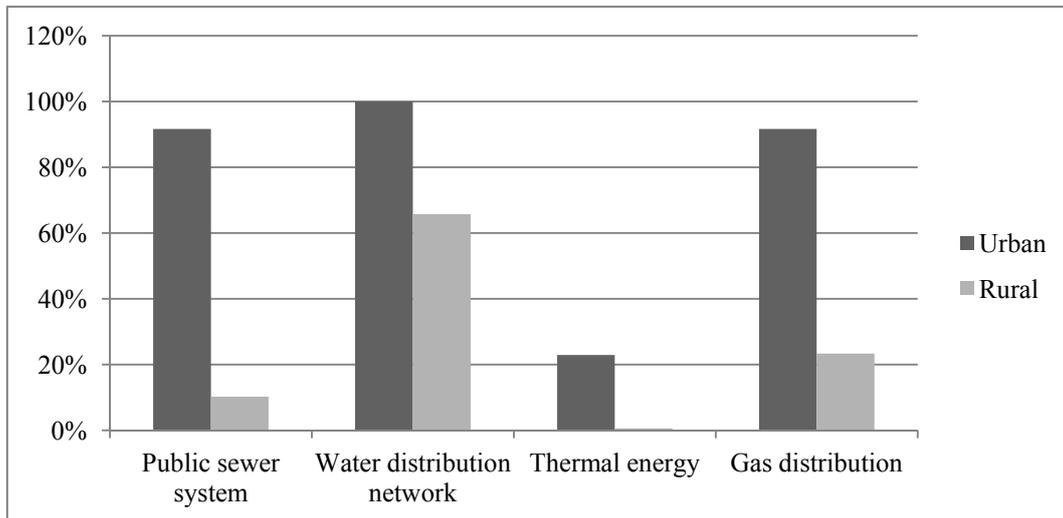


**Source:** National Institute of Statistics.

Although positive, the rate of internal migration - from urban to rural - can not compensate for departures from the early 1990s when there was a massive migration from rural to urban areas. The trend was reversed during the transition of the economic system, as economic restructuring and restitution of land have increased the attractiveness of rural areas. However, urban-rural migration remains insufficient to offset the decline in rural population.

Many people are attracted to the idea of living and/or working in rural areas, provided they have similar conditions of work and life style with the city. That means access to basic services and infrastructure. But in rural Romania, and implicitly the counties of Sud-Muntenia development region, the physical infrastructure strongly impacts the quality of life of residents. All services related to the development of a region ABC ( transport infrastructure, the distribution of drinking water and sanitation, access to electricity and heat, public recycling services, Internet access, etc.) are still an inadequate level and affects both local and business development.

**Graph 7.** Share utilities in the administrative units in urban and rural South-Muntenia development region



**Source:** National Institute of Statistics.

## Conclusions

The causes of population decline in the South-Muntenia are vast: population exodus abroad, migrating in the opposite direction to the urban youth and older people in the cities to rural areas, the birth rate and declining fertility. All these factors are accounted for in the negative demographic growth.

Individuals have the ability to make predictions about the potential for personal development and socio-economic development within their proximity. Therefore, if the present is perceived as mediocre, the future will also be imagined that way, thus inducing the self-motivating need for change that comes from within the individual.

The methods through which the population decline can be stopped or slowed down, are mending the causes underlying the decision of young, active and fertile people to leave the region. In essence, it is about improving education and health, improving physical infrastructure and diversification of the rural economy.

Attracting and retaining young people in rural areas, to ensure the optimal average age and thus having an equilibrium in the population structure, it is necessary that they should be provided with appropriate education prerequisites time, a decent lifestyle and an opportunity to apply their knowledge after graduation.

All these aspects are focused on the basic principles of the concept of sustainable rural development. In a broad sense, rural development is translated for the people of the territory into higher incomes, job security and a better standard of living. Rural development issues are complex and differ depending on the specificities of each territory separately. Most times the resolution of various deficiencies (social, economic or environmental) requires successive integrated programs that can provide new insights and long-term effects.

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