

RESTRUCTURING AND REFORM IN THE JIU VALLEY

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ABSTRACT: *The article provides an analysis of the restructuring and reform process in the Jiu Valley mining in the context of national reforms.*

KEY WORDS: *economic and social restructuring; technological restructuring of production; organizational and managerial restructuring; personnel restructuring; restructuring and/or ceasing of production; reform in mining; employment of work force.*

JEL CLASSIFICATION: *A14*

1. ASPECTS OF THE NATIONAL MINING REFORM

The mining industry has a strong impact on the economic life, being itself subject to pressure from other economic branches, which is the reason why mining is currently going through significant qualitative and quantitative changes.

Taking into account that, in Romania, mining conditions are difficult and production costs are fairly high, both in surface and in underground units, the Romanian state supports mining production by allocations from the budget destined for investments and subventions. Starting with 1990 and the transition to the market economy, the restructuring of the mining industry was developed in the following directions (Fodor, Baican, 2001):

- 1) **The technological restructuring of production**, with such effects as: the decrease of underground production and the increase of opencast (quarry) production; the increase of the supplies of energy pit coal and the decrease of the amount of pit coal processed for coke; the increase of mining and processing activities for copper and precious metals deposits and the beginning of modernizing activities in the major lignite quarries;

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- 2) **The organizational and managerial restructuring**, which resulted in the divergence of complementary activities from the mining units and their subsequent organization as distinct economic units;
- 3) **The personnel restructuring** in mining units, especially its massive reductions by: divergent activities organized in distinct businesses; retirements with work time reduction and lay offs with compensatory wages. „By December 1999, approximately 90,000 miners, out of a total number of 175,000, had left the mining industry. About 70,000 accepted the compensatory wages for their lay off, whereas other 20,000 left by retirement or because their job related activities were excluded from the mining system”;
- 4) **The decreasing or ceasing of the production activity** in the mines with shrinking deposits, extremely hard geological conditions, and very high production costs.

On grounds of the **Law of mines (no. 61/1998)**, the shutting down process was initiated and developed for the mines production units with shrinking deposits, hard geological conditions and high production costs. The anticipated effects of restructuring in mining on the present are the following: the increasing production volume of energy coal, copper in concentrates, precious metals and salt; the limited underground mining of superior coal destined for coke production; higher work productivity; decrease of production costs so that activities should become productive in comparison with the imported mining products.

For the future, the strategy of economic restructuring in mining has in view a complete ceasing of subventions starting with 2012. The economic restructuring of the countries in transition to the market economy is accompanied by major changes on the work market (structural, occupational, or regarding the work statute), which display characteristics generated by the economic structure, the economic performance and potential, the degree of training and the possibilities of work force improvement.

The current transition of the Romanian economy also includes the organization of a suitable work force market, which is a highly complex and difficult process, as the latter is the most imperfect of all markets, requiring appropriate measures of political economy in order to ensure its normal operation.

Work force employment represents in any society, the developed countries included, an essential condition to ensure the macroeconomic balance, as well as social and political stability. It is a complex, dynamic process, of major interest for all economic agents and social partners, as well as for the present and future of society, with various implications, such as: economic, psycho – social, educational – cultural, and political.

The higher degree of work force employment and the diminishing of unemployment are currently essential objectives of economic policy in all countries, their achievement being possible by establishing a balance between supply and demand on the work force market.

2. REFORM IN THE JIU VALLEY MINING

In the collective national perception, the Jiu Valley is associated with coal mining. Displaying the largest underground pit coal deposit in Romania, the area

gained economic importance approximately 165 years ago. Throughout the years, and especially in the past five decades, the importance of the Jiu Valley pit coal mining and processing for the national economy imposed a continuous increase of production, which, by 1988, was of over 10 million tons. This led to a rapid development of the area, but also to an economy of monoproduction type. In 1997, because of the very high price of the ton of coal, mining began to be considered the „black hole” of national economy. Therefore, this is the year when the restructuring of mining started in the Jiu Valley, with an economic and social impact difficult to anticipate at the time. The personnel employed in the field of mining were continuously reduced, the most dramatic decrease being in 1997-1999 (Strategy for Durable Development of the Jiu Valley Microregion, p. 39).

The radical reform in the Romanian economy, mainly in such cost – ineffective sectors as mining, was massively based on personnel reduction. In the Jiu Valley, this started with Ordinance no. 22/1997, whose effect was the laying off of almost half of the employees. According to the data provided by the National Pit Coal Company 19,796 persons, representing 43.9% of the total number of employees in the Jiu Valley, were laid off in 1997 (the year of dramatic personnel reduction). This percentage considerably exceeds the initial expectations of the Government, which had had in view a reduction of 15% of the total number of employees. On January 1, 1998, the company had 23,240 employees, representing 51.4% of the number recorded a year before. In 2006, the number of employees in CNH was approximately 4 times smaller than in 1997. Reductions continued throughout the years, the most recent being the one in 2010, when, on grounds of Special Ordinance no. 116/21.12.2006, modified and completed, approximately 1,600 employees in mining were laid off. On grounds of the same ordinance, other 600 employees are to leave the system starting with August 2011¹. Most of the reduced personnel are represented by men, which is natural, given the specific of mining, and by persons with elementary and secondary studies, which supports the high percentage of the workers who left the system.

Therefore, after several years of restructuring, the number of employees at C.N.H. Petroșani decreased from 45,142 in 1997, before the great lay off, to 11,795 in 2006, respectively to 8,745 in 2011 (table 1).

Table 1. The evolution of the number of employees at the National Pit Coal Company Petroșani

Year	1997	1998	1999	2000	2002	2004	2005	2006	2011
C.N.H employees	45.141	23.240	20.735	18.348	17.706	14.219	12.995	11.795	8.745

Sources: Ministry of Economy and Commerce, General Department of Mineral Resources; C.N.H.: <http://www.cnh.ro/descrierecomunicate.aspx?id=95>

The National Pit Coal Company Petroșani has gone through very rough periods during the past years, and it started the year 2011 in an extremely difficult economic

¹ Reorganization and restructuring program for the National Pit Coal Company – S.A. for 2011

and financial context, without subvention, due to the annulment of the European regulation regarding the state support of the pit coal production. The new regulations of the European Council regarding coal mining activities, valid since January 1, 2011, stipulates that the mining units in the states that are members of the European Union can benefit from the state support only in order to shut down non – competitive mines. Under these circumstances, the continuation of C.N.H. activities involves drastic cost reductions, such as, for instance, the first decision in the history of the Jiu Valley mining to suspend the granting of facilities for pensioners for a limited period (1–31 January 2011). The financial effort for the facilities granted to a number of over 10,400 de pensioners, with a number of 8,745 employees, was of 8.6 million lei/year (C.N.H., Press statement, 05.01.2011)².

3. THE SOCIAL POLICY IN THE JIU VALLEY IN THE CONTEXT OF THE RESTRUCTURING OF THE MINING SECTOR

Starting from the fact that „work is the strongest link between the individual and society” (S. Freud), unemployment means not only income losses, but also the loss of self confidence, the erosion of the connection with the community and the feeling of being excluded from normal life, which can be a genuine threat to democracy (Codin, 1990, p. 146). Under these circumstances, the essential objective of social policies in Romania is to guarantee a job and decent living, either by the individual’s direct work or by means social protection and assistance services.

It is necessary to ensure an environment meant to facilitate studying and work and to turn work into the main source of living, so that the ones who work should enjoy part of their work results directly, „feeling it is worth working and their work can ensure their living” (Stegăroiu, 1993, p. 14).

Social protection represents the body of policies, measures, institutions, and structures that ensures a certain level of wealth and social security for the whole population, and especially for certain social groups or persons unable to achieve minimal, normal life conditions through their own effort. By juridical regulations, social protection applies national and regional programs in order to provide material and financial support, as well as social services destined to deprived persons. There are two types of support meant to ensure the social protection of deprived persons (Cojocaru, 2003, p. 620): *the system of social insurance* (the funds resulting from the systematic contributions of the active population, which return to the contributors when they are in need, in accordance with each individual contribution, under the form of pensions, unemployment support, ill health support, etc.); *the system of social assistance* (support system financed from the state budget, local budgets, and volunteer contributions of physical and juridical persons).

Social assistance represents the body of institutions, programs and measures, as well as professional activities meant to protect persons, groups or communities facing social problems or temporary crisis. By specialized services and activities, social assistance helps groups and persons in need to overcome difficult moments that

² <http://www.cnh.ro/descrierecomunicate.aspx?id=95>

can occur over a certain period and supports, by creating favorable social and cultural conditions, the recovery of the social and cultural integration capacity of deprived categories (Cojocaru, 2003).

In order to reveal the opinion of the Jiu Valley inhabitants about unemployment, social protection and social assistance in the region, we have extracted a number of conclusions from an ample field research conducted in the towns of the Jiu Valley, where we have used the direct inquiry based on the interview applied to a number of 288 subjects.

The **unemployed** represent a special segment of the active population in Romania and, implicitly, in the Jiu Valley, which requires the intervention of social assistance services. In the context of the transition to the market economy, with the profound restructuring pertaining to it, unemployment represents „a genuine psychological and cultural shock for the people who were used to having a job easily found and even more easily kept” (Zamfir, Vlăsceanu, 1993).

Table 2. Number of the unemployed in the Jiu Valley on localities³

January 2011	
VULCAN	896
LUPENI	1002
PETROSANI	2026
ANINOASA	95
PETRILA	294
URICANI	242
TOTAL	4,555

Source: The County Agency for Work Force Employment, Hunedoara - Statistics

Table 3. Structure of unemployment in the Jiu Valley on environments and form of remuneration

JANUARY 2011					
LOCAL AGENCY /BRANCH	TOTAL	Urban environment	Rural environment	Remunerated unemployed	Non – remunerated unemployed
3 PETROSANI	2026	1984	42	1506	520
4 LUPENI	1002	1002	0	625	377
5 VULCAN	896	896	0	553	343
12 PETRILA	294	294	0	61	233
13 ANINOASA	95	95	0	72	23
14 URICANI	242	242	0	173	69
TOTAL	4,555	4,513	42	2,990	1,565

Source: The County Agency for Work Force Employment, Hunedoara - Statistics

³ <http://www.ajofmhd.ro/>

A society that shows no compassion for its most helpless members fails to remain in the perimeter of normality specific to all the contemporary societies in the Western space. On the other hand, exaggerate attention paid to social assistance, in less justified cases, can induce to the assisted the unproductive idea according to which one can live on the verge of subsistence. However, this is not the idea we meant to approach, but the openness of the Jiu Valley inhabitants towards social protection and social assistance activities supposing that the ones who rightfully benefit from them are the following members of the society: children, the elderly, the ill, the physically impaired, etc.

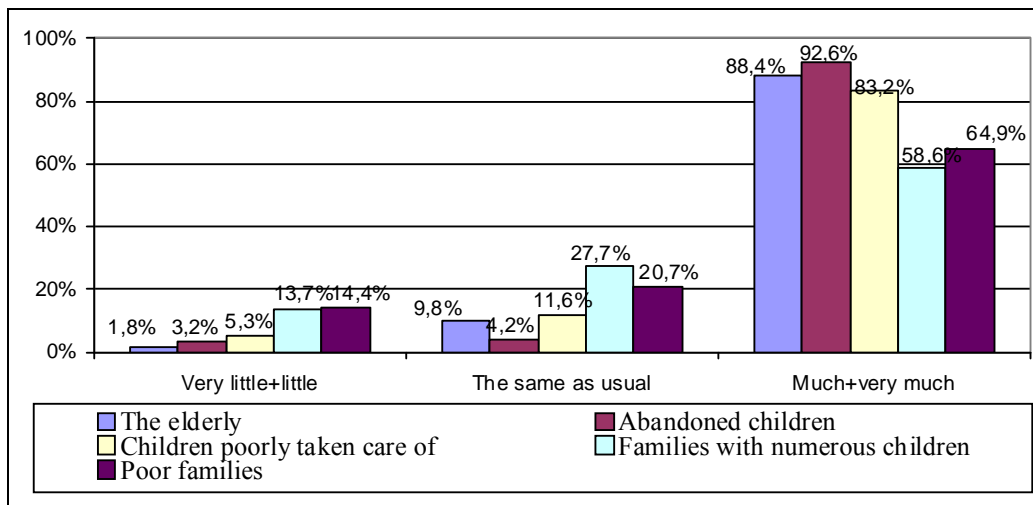


Figure 1. Support that should be provided to deprived categories (1)

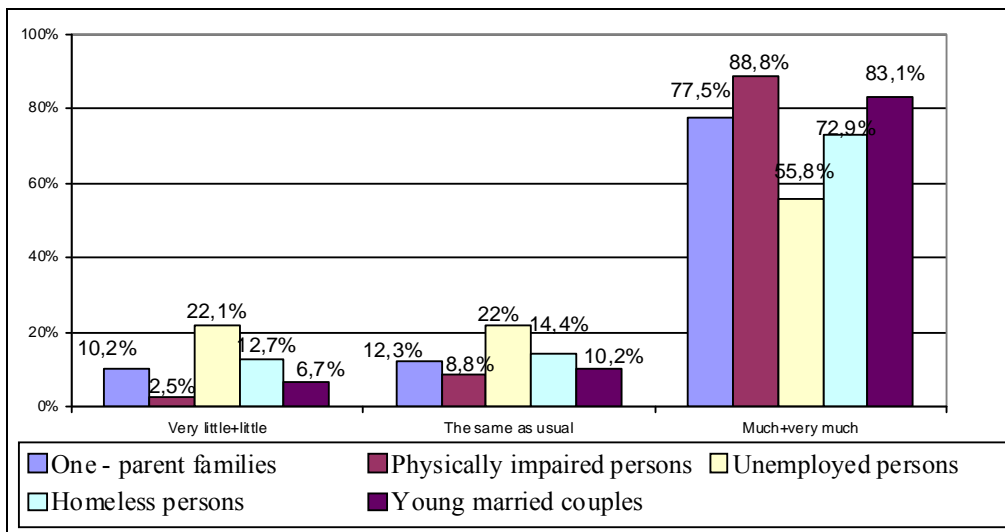


Figure 2. Support that should be provided to deprived categories (2)

We cannot say that unselfishness and the idea according to which those in need should be helped by the state are entirely absent in the Jiu Valley. However, we cannot help remarking that, in the hierarchy of the categories that should benefit from this support, the best situated are abandoned children (92.6%) and the physically impaired (88.8%), whereas at the opposite pole are situated the unemployed, as society has learned, throughout the years, that most of the persons benefitting from social support do not deserve it.

Strictly speaking about the Jiu Valley area, we are going to find out how accurate the average citizen perceives the need of financial support for certain institutions and services. We have chosen to do this because, what ultimately counts does not lie exclusively in the statistics and documents of a certain institution, but in the image it projects outwards. For instance, a school can have exceptional results with its pupils but, if the aspects regarding communication and symbolism are flawed, its objective effort is reduced to a minimum or even cancelled.

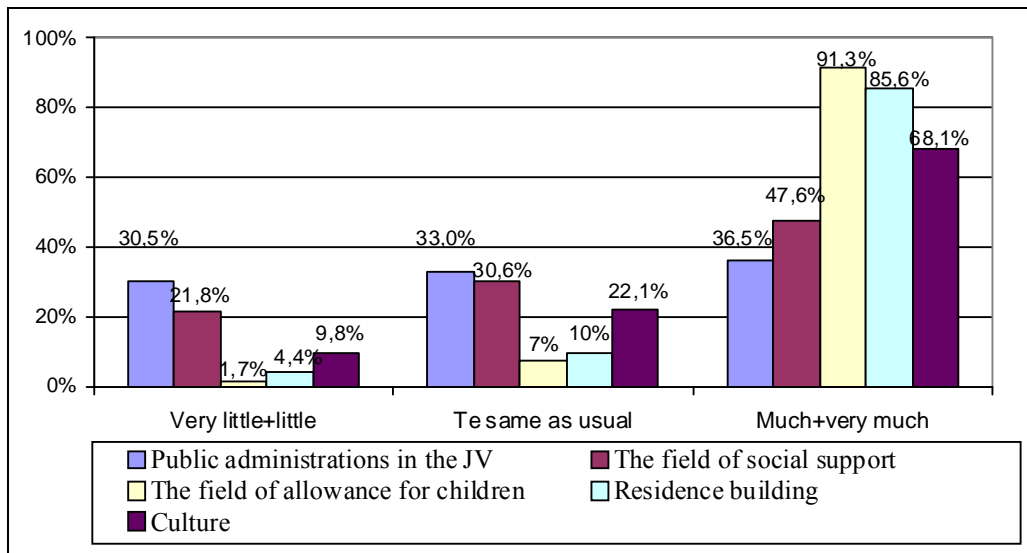


Figure 3. Institutions that should benefit from financial support (1)

The ranking shown in figures 3 and 4, according to importance, is the following: health (91.6%); allowance for children (91.3%); residence building (85.6%); education (79.3%); mining (72%); culture (68.1%); social support (47.6%); sports (46.7%); public administration in the Jiu Valley (36.5%); public order (33.3%).

The restructuring of the Romanian social and economic system, in accordance with the requirements of the market economy, has triggered dramatic changes on the work force market, among which the occurrence of unemployment as a mass phenomenon. Under these circumstances, one of the essential objectives of the social and economic policies in Romania is to guarantee a job and decent living, either by the direct work of the respective person, or ensured by social protection and assistance

(which have an important role in the relieving of the unemployment effects on deprived population).

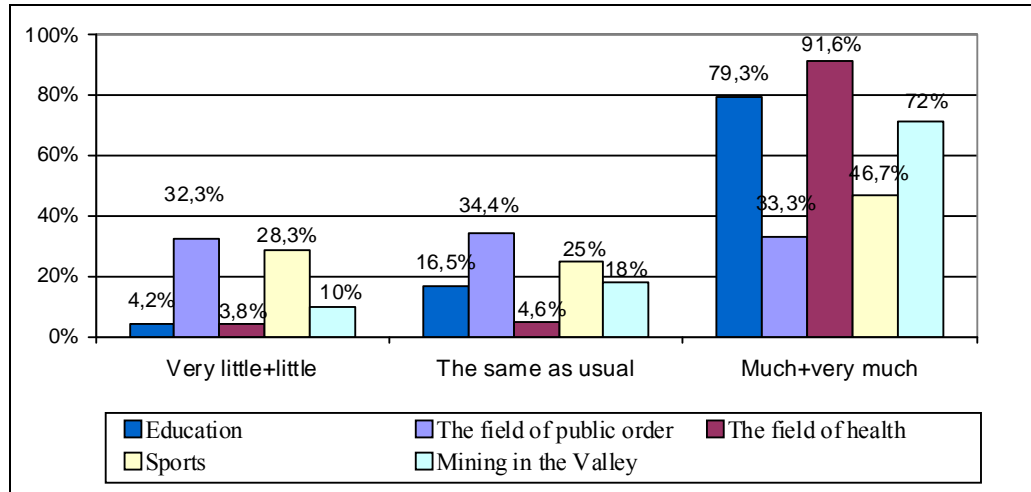


Figure 4. Institutions that should benefit from financial support (2)

Currently, the Romanian work market displays:

- financial services* – which include the providing of financial support (unemployment support, professional integration support, support allowance, social support), credits granted in advantageous conditions to small and mid – sized economic units (IMM) or subventions granted to companies that employ graduates;
- work mediation services* – which include work mediation activities, career and business counseling services;
- information services* – regarding the jobs supply and demand;
- training services* – which include professional training activities in specialized institutions (schools, colleges, universities, qualification/re-qualification centers, etc.).

From the perspective of social assistance activities, we shall focus on the category of **material support** (Paşa, 2004):

I. Social support – stipulates that families and single persons are entitled to a minimum guaranteed income under the form of social assistance. The minimum guaranteed income is ensured by monthly social support, validated on grounds of the social solidarity principle.

The level of the minimum guaranteed income is indexed by Government decision, in accordance with the evolution of prices. The amount of social support is established as the difference between the levels mentioned above and the monthly total income of the family or the single person.

The granting of social support in Romania opens up the perspective of the transition to a more concrete, efficient, authentic and modern social assistance in accordance with the legislation of the countries with experience in the field. The

situation **in the Jiu Valley** is special, in the sense that, as a result of the successive layoffs in the mining industry, a great number of individuals lost their jobs and, failing to find work, they were forced to apply for financial support from the state, under the form of minimum guaranteed income.

II. Emergency support – represents a form of support for families and persons in extremely difficult situations, as a result of natural disasters, fires, accidents, or other situations stipulated by the law.

Emergency and financial support was also provided in the **Jiu Valley**. For instance, in 2002, emergency support was provided in accordance with art. 28, alin. (1) in Law no. 416/2001, for families or single persons who were victims of the collective work accident at E.M. Petrila in 16.07.2002, as well as to the victims of fires and natural disasters.

Currently, for instance, the mayor of Petrosani can grant emergency support to single persons or families with monthly incomes of up to 600 lei/family member, to persons who need medical assistance or surgery proven by medical papers, for long term medical treatments or for the purchase of medical device necessary for the recovery of organic or functional deficiencies. Similarly, persons released from prison can apply for financial support within two months from the release date, and funeral expenses are partly covered for deceased persons with no income and family.

According to official data, the number of persons who live in Petroșani and apply for support to the local Social assistance public service increases on a monthly basis. According to the latest information provided by the local authorities, almost 250 families benefit from social support, whereas others were granted emergency support, the expenses from the budget thus rising to approximately 1.1 million lei per semester⁴.

III. Support for domestic heating during winter – according to Emergency Ordinance no. 5 of February 20, 2003, modified and completed by Government Emergency Ordinance no. 81/2003, families and single persons with low income who use central heating benefit from monthly support, the granted sums varying in accordance with the number of family members and the average monthly income per family member.

In order to help the poor, local authorities in Petroșani pay from the local budget for 3 cubic meters/person/month to the cold/hot water supply service, 80% of the amount of drinkable water to the waste water sewage service, and 70% kwk/family/month electric power (loc.cit).

IV. Microcredits – law no. 366/2001 for the validation of the Government Emergency Ordinance no. 118/1999 regarding the setting up and the use of the National Solidarity Fund stipulated that part of the sums in this fund should be directed to microcredits for individuals who develop lucrative independent activities. The microcredit represents a loan reimbursable at interest, for which individuals can apply, with a value of up to 10,000 Euros, calculated in lei at the exchange rate communicated by the National Bank of Romania one day prior to the release of the sums, with a reimbursement period of up to 36 months, with or without a grace period.

⁴ Crisis situations for which emergency support is granted, *Gazeta Văii Jiului*, February 20, 2011.

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