

Particularities of the Romanian Labour Market in the Period 2008-2016

~ Ph. D. Professor **Mariana Bălan** (SR I, Institute for Economic Forecasting -NIER, Romanian Academy, Romania)

E-mail: dr.mariana.balan@gmail.com

Abstract: *The level and quality of employment are important parameters for the current society, as the labour force is the main driver for developing any modern economy. In the Strategy "Europe 2020", the European Union set as goal for the time-horizon 2020 to achieve an employment level of 75% for the European population with ages between 20-64 years. Romania has as objective in the field of employment to achieve a level of 70% by 2020 for the same population segment.*

Even though Romania is faced currently with the severe issues of unemployment (the unemployment rate for the year 2016 at national level was of 5.9% as compared with the European average of 8.6% according to Eurostat), the activity rate and the employment rate of the working-age population recorded by our country continues to be among the lowest in Europe and at almost 4 percentage points difference against the national goal established for attaining the goals of the Europe 2020 Strategy.

The paper intends a systematic but not comprehensive approach of some consequences of the world crisis, about some main indicators of the labour market at national level, by highlighting the main characteristics of this market: developments, structures, particularities, etc.

Key-words: employment, unemployment, demand, labour force supply

JEL Classification: E24, J21, J23, J42, J82

Introduction

The main concerns of all countries within the European Union found both in the Lisbon Strategy and in the Europe's Sustainable Development Strategy up to the year 2020 are sustainable economic development and developing an inclusive labour market by increasing the weight of employed persons, and by creating jobs for inactive and hard to employ persons, as well as for individuals in situations of social risk.

Because all European countries are faced with decreases of the birth rate, with population ageing and an increase in the imbalances between employed population and the population benefitting of social systems support, all these countries are aiming to integrate on the labour market a higher share of the population able to ensure own incomes by delivering useful labour for the society and by creating all favourable conditions for attaining this goal.

The recent economic-financial crisis of the last years proved that new competences and new jobs are required for modernising the labour market and for providing more autonomy to citizens in view of increasing the participation share on the labour market and for better correlating labour force supply and demand, including by professional and geographic mobility.

In the current context, Romania's economy is under the influence of the effects of a continuous and dynamic process of change generated by the transition to the market economy and by the globalisation phenomenon.

For understanding the labour market mechanisms, in the paper are analysed a series of statistical indicators obtained either directly by measurement such as labour

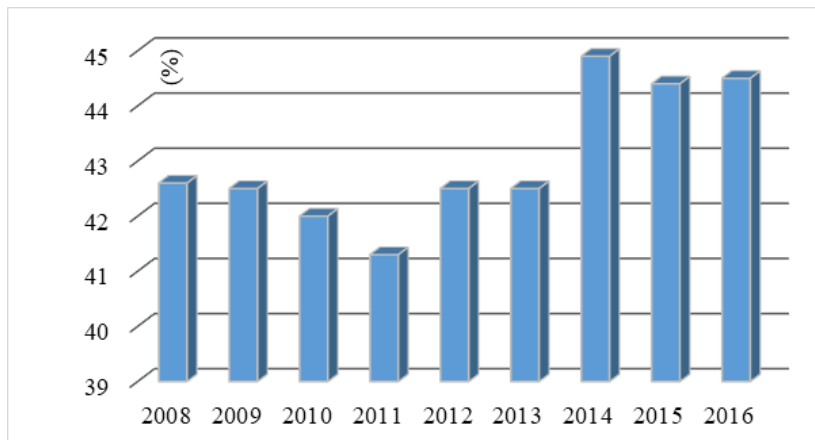
force resources, active population, employed population, the numbers of employees, the numbers of unemployed, or by calculating some derived indicators such as: activity rate, employment rate, unemployment rate, NEET rate, and the economic dependency rate, etc.

1.Characteristics of the labour market in Romania

The civil active population is the one characterising the potential labour force supply and the employment level of the population, as it represents the civil employed population and the registered unemployed and this population diminished in Romania by 414.6 thousand persons against the year 2007 in the year 2016. The distribution on genders of the active population at national level shows that in the period 2007-2016 the male employed population registered a diminishment by 1.81 smaller than the female employed population as from the total 414, 6 thousand persons, men represent 147, 3 thousands, and 267,3 thousands are women.

Regarding the gross activity rate (which is the ratio expressed as percentage between the civil active population in the total population of the country), this rate increased by 2.3 percentage points in the period 2007-2016, (from 42.2% in 2007 to 44.5% in 2016). However, the rate decreased by 0.4 pp. in 2016 against the rate recorded in the year 2014 (Figure 1).

Figure 1 Evolution of the gross activity rate in Romania in the period 2008-2016

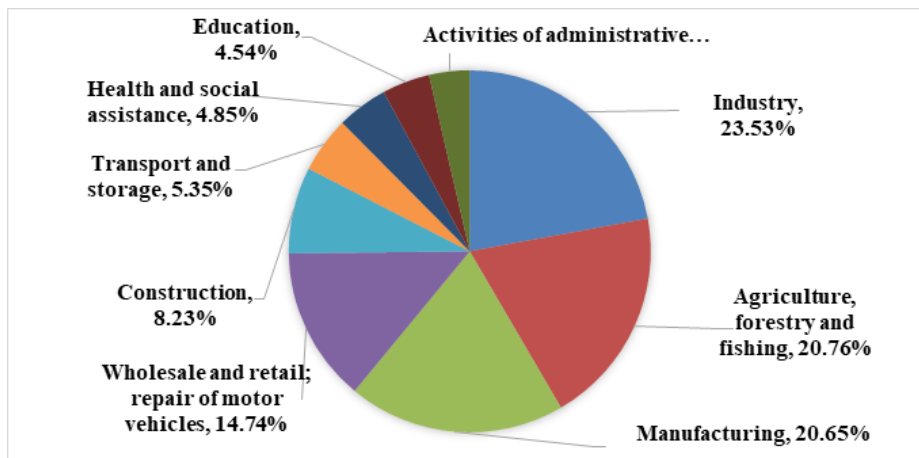


Data source TEMPO-online database, National Institute of Statistics, insse.ro

Regarding the civil employed population on categories of activities of the national economy, the analysis of the statistical data for the period taken into account highlights that in the Agriculture, Forestry, and Fishing sector records a decreasing trend as of 2012 (by 8.53 pp in 2016 against the year 2012). In the period 2007-2011 the employed population decreased in all sectors of the national

economy, save for the sectors: "Wholesale and retail trade; Car and motorcycle repairs" which had an increasing trend for the entire period of analysis. 2016 is the first year of the period considered in which the weight of the employed population in industry exceeds the weight of the employed population in agriculture (Figure 2)

Figure 2 Civil employed population on some activity categories of the national economy in the year 2016

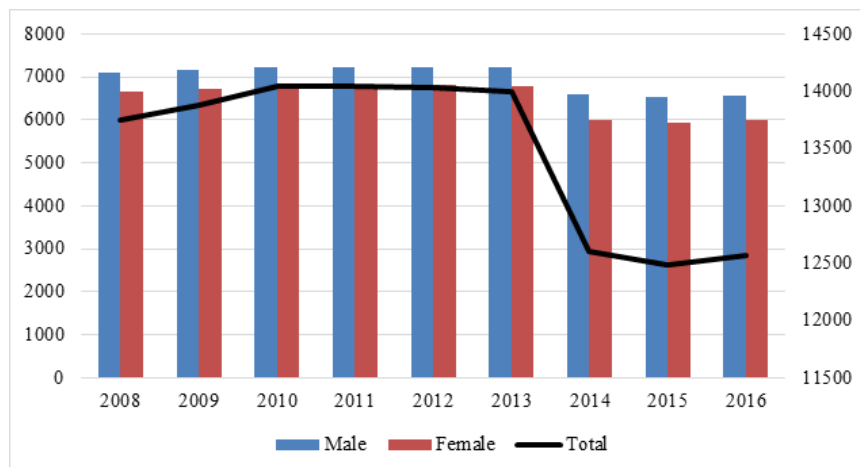


Data source: TEMPO-online database, National Institute of Statistics, insse.ro

Labour resources that include the working-age population, able to work and also the individuals under and above the working-age and still active, recorded an increase by 0.55 pp. in 2016 against the year 2015. The evolution of labour resources up to the year

2010 was on an increasing trend at national level, the increase being by 830.7 thousand persons against the year 1990. As of 2010 the numbers of labour force resources diminished on yearly basis up to 2015 when a slight increase was recorded again (Figure 3).

Figure 3 Evolution of labour resources in Romania for the period 2008-2016, (thousand persons)



Data source: TEMPO-online database, National Institute of Statistics, insse.ro

For the entire period 2008-2016 the employment rate had an oscillating development, but as of 2013 it began to increase slightly and reached 616% in the year 2016.

As in the previous years, the employment rate was in 2016 higher for men (69.7% against 53.3% for women). On areas of residence, the employment rate was higher in the urban area (62.6% against 60.2% in the rural area).

Regarding the employment rate on age groups, this rate was of 22.3% for the young individuals with ages between 15 and 24 years of age and of 42.8% for elderly (55 to 64 years of age).

The highest level of the employment rate was recorded for working-age individuals with higher education (86.2%). From the

working-age population with upper secondary education were employed 65.2% and only 41.0% of the individuals with lower education.

Employees registered increases against the preceding year (+139 thousand persons) and continued to have the highest weight (73.4%) in total employed population. In 2016, self-employed and unpaid family workers represented 25.6% from the employed population.

Skilled workers in Agriculture, Forestry and Fishing represented 19.4% from total employed population. Significant weights in total employed population held skilled workers (16.6%), experts in various fields of activity (15.2%) and workers in the services' sector (14.9%).

Out of the total employed population, 23.1% were employed in the agricultural sector, 29.9% in industry and constructions, and 47.0% in services. In non-agricultural activities were employed 6497 thousand persons, and significant weights among them were held by those developing their activity in the Manufacturing industry (24.6%), Trade (18.1%) and Constructions (10.4%).

As compared with the year 2015, the number of persons developing their activity in Agriculture, Forestry and Fishing decreased in 2016 (-232 thousand persons), just as the number of those employed in Education (-9 thousand persons), Public Administration and Defence (-8 thousand persons), Extractive industry, Information and Communications' Industry, Real Estate Transactions (all on decrease by 4 thousand persons against the previous years). The most significant increases against the previous year were registered in the Manufacturing industry (+46 thousand persons), Constructions (+42 thousand persons), Trade (+28 thousand persons), and Hotels and restaurants (+19 thousand persons).

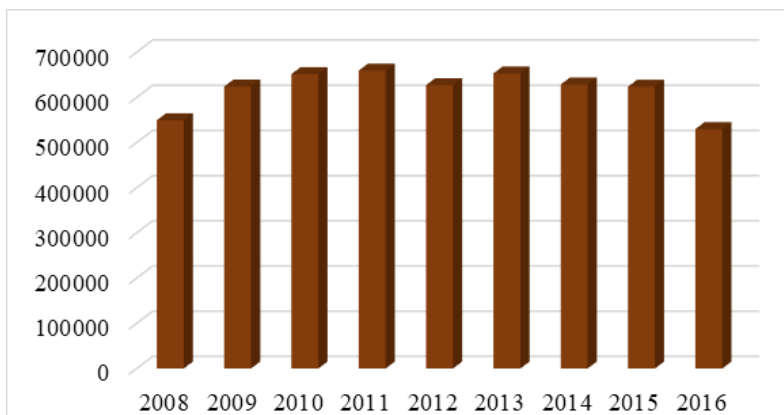
From total employed persons in the year 2016, 723 thousand persons worked part-time (8.6%). The vast majority of individuals employed part-time worked in the agricultural sector (82.8%).

In 2016, the effective average working-week time for the main activity was of 38.8 hours per week; 130 thousand persons developed also secondary activities by working in average 12.0 hours per week.

According to the data provided by the National Institute of Statistics, the number of unemployed in Romania decreased by 94041 persons in the year 2016 against 2015, and the unemployment rate diminished by 1.5 percentage points.

The highest number of unemployed of 659426 persons was recorded in 2010, while 2009 was on the second position with 651696 persons as it reflected the effect of the economic crisis which broke out by the end of the year 2008 (Figure 4). Save for the year 2013 (when 652984 ILO unemployed were recorded), the number of unemployed in Romania decreased on a yearly basis, so that 529869 unemployed were recorded in 2016.

Figure 4 Evolution of the ILO unemployed numbers in the 2008-2016, (persons)



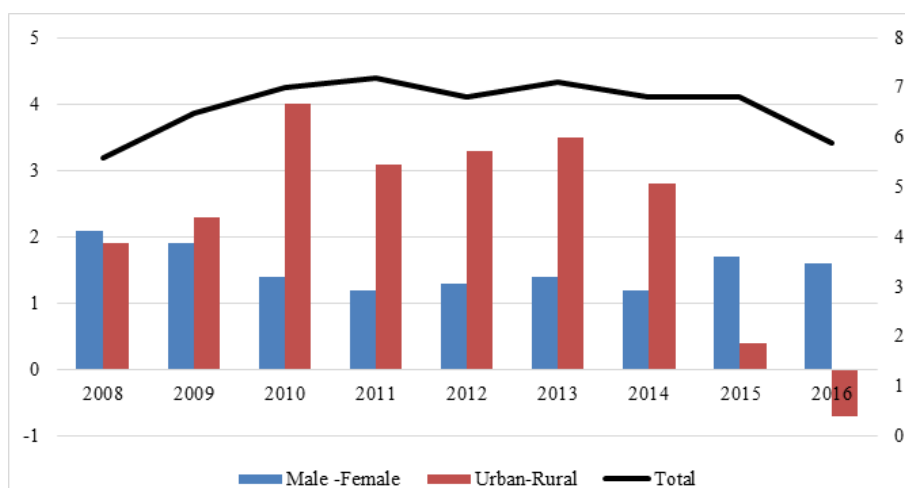
Data source: TEMPO-online database, "ILO Unemployed – Households Labour Force Survey" National Institute of Statistics

With an unemployment rate of 5.9% in 2016 (on decrease against the preceding year: 6.9% in 2015), Romania has a favourable position among the European Union Member-States being placed on the sixth position in the top of the countries with the lowest unemployment levels, respectively a better position regarding unemployment than

countries such as France, Poland or even the Netherlands.

On genders, the gap between the two unemployment rates was of 1.6 percentage points (6.6% for men, against 5.0 for women), and on areas of residence of 0.7 percentage points (6.3 in the rural area, against 5.6% in the urban area) (Figure 5).

Figure 5 Unemployment rate on areas of residence and the gap between unemployed men and women, (%)



Data source: TEMPO-online database, National Institute of Statistics, insse.ro

The unemployment rate had the highest level (20.6%) among youths (15 to 24 years of age) in 2016 as well.

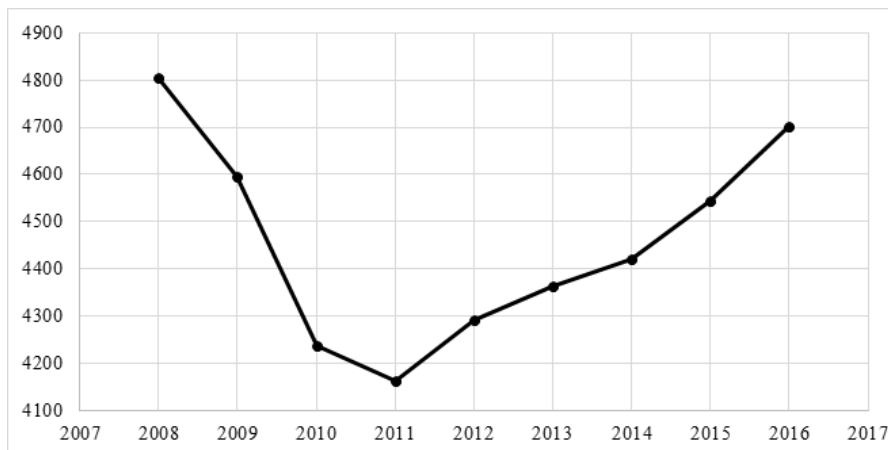
Unemployment affected mostly the graduates of lower and secondary education for whom the unemployment rate was of 7.6%, respectively 6.2%. The unemployment rate was of only 3.1% for those with higher education.

The long-term unemployment rate (one year unemployment and over) was of 3.0% and the long-term unemployment incidence (the weight of individuals in unemployment for one year and over in total unemployed) was of 50.0%.

For young individuals (15 to 24 years of age) the long-term unemployment rate (in unemployment for six months and over) was of 13.0%, and the long-term unemployment incidence among youths was of 63.1%.

The economic advance was accompanied also by the increase in the number of employees in 2016: by the end of the year were recorded 4.7 million employees, by 3.4% more than in 2015. Even after 9 years of economic crisis, the Romanian labour market failed to recover the lost jobs, but the difference diminished to 100 thousand (Figure 6).

Figure 6 Evolution of the number of employees, (thousand persons)



Data source: TEMPO-online database, National Institute of Statistics, insse.ro

According to the study Manpower Employment Outlook Survey two industries might employ more persons respectively Trade and the Manufacturing industry. The development of the trade sector is influenced strongly by the increase in consumption at national level. The fact that a comparable development is expected for the manufacturing industry as well is a good sign, but also the profile of companies that will hire needs to be observed. Thus, if we consider that, for instance, in the car sector and in the enterprises performing assembly works the operations made are regarded as basic in the production chain and implicitly of lower value added, this means also a limited positive impact in the economy. Even if from the social viewpoint the increase in the numbers of employees is regarded as beneficial, these two sectors employ often unskilled labour force and the wages are lower than the minimum wage in the economy.

The data provided by the National Agency for Labour Force Employment (ANOFM) show that the employed

population is of 8.9 million in Romania, while the number of employees of 4.9 million. The difference is constituted mainly from individuals working in the subsistence agriculture.

Same as in the previous years, the incidence of atypical work (contracts on determined periods of time and/or part-time contracts, dependent self-employment from the economic point of view) continued on an ascending trend.

Official statistics indicate an unusual low number of employees with labour contracts on determined periods of time and/or part-time contracts in Romania. However, a detailed analysis of the latter highlights that the difference between the number of active employees and the number of active individual labour contracts increased the end of in the period 2015-2016 from 13.3% out of the total number of contracts to 13.9%. As result, by the end of 2016, the about 5.48 million active employees recorded with the Labour Force Inspector's Office had a number of about 6.24 million corresponding labour contracts. The

difference cannot be explained but by the high incidence of atypical labour contracts.

The increase in the incidence of these types of contracts is visible also in the divergent evolution in the numbers of employed and total worked hours. If between 2008 and 2015 the number of employed persons decreased by 7% the number of total worked hours diminished by 10% for the same period. From both viewpoints, the decrease recorded in Romania is higher than the European average (-1.5% for the number of employed persons and -3.9% for the number of total worked hours). Same as for the difference between the number of employees and the number of labour contracts, this increasing difference suggest the growth in atypical employment, in particular for working-time fractions and part-time. Meanwhile, in December 2016 the individual labour contracts with part-time represented about 18.1% from the total active contracts, respectively the highest level as of the beginning of 2012.

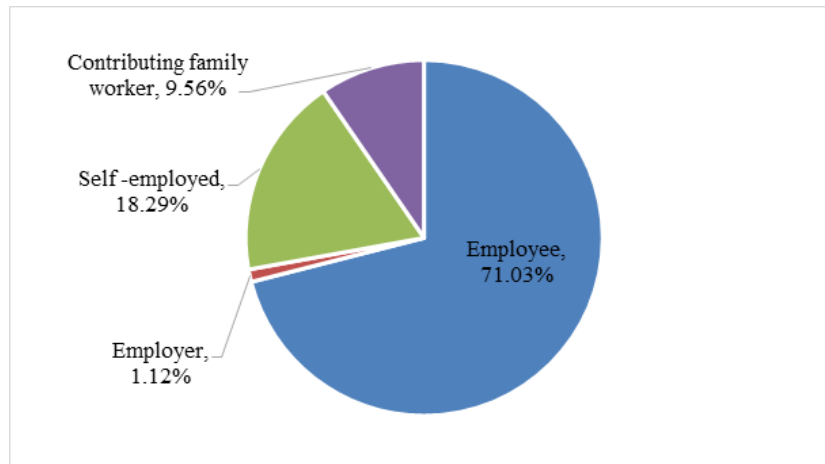
Regarding newly created jobs, according to the estimates, over 25% of the concluded individual labour contracts were for part-time, and an equivalent weight was recorded also for labour contracts for determined periods of time in the year 2016. A recently published study underpins the relatively high incidence of labour contracts for determined periods of time in sectors such as constructions or car industry.

Next to atypical work with labour contract, the dependent self-employment continues to weigh heavily on the labour market from Romania. Thus, according to the statistical data of the National Institute of Statistics, in 2015 employees represented only 71.3% from employed population and 18.3% from the employed persons held the statutes of

self-employed workers (Figure 7).

The important fact is that this employment structure is not due entirely to the high incidence of self-employment in agriculture, as this situation is encountered also in non-agricultural sectors. Actually, it is natural to regard a large part of these self-employed workers as dependent self-employed workers not strictly from the fiscal viewpoint, as done by the current Romanian legislation, but more generally from the economic viewpoint. Dependent self-employed workers are paid less and more vulnerable regarding job security and less protected against abuse than employees and they have also much less means to defend their interests (Guga 2016). These vulnerabilities are important for employees as well, since just like those working based on fixed-term contracts or with fractions of time, the precariousness of dependent self-employment represents an indirect source of vulnerability for all those active in the labour market, including here the pressure on wages and working conditions for the employees with labour contracts for undetermined periods of time.

Figure 7 Employed population structure according to professional statutes in 2015



Data source: Romania's Statistical Yearbook 2016, National Institute of Statistics

If, by the end of 2015 the issue of labour force deficit in Romania was seldom mentioned on the working agenda of the legal bodies in the field, by the beginning of 2017 it became, next to the minimum wage the main topic in debates about the labour market in Romania.

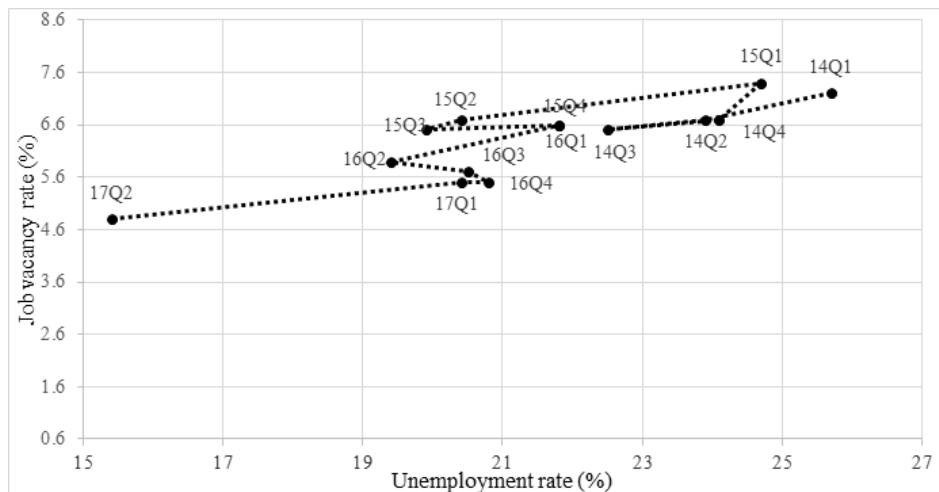
Employers, in particular, show increasing concern over the low availability of labour force especially when considering future investments. The performed surveys show a significantly higher concern among Romanian employers as compared with other countries. Thus, according to a survey realised by PricewaterhouseCoopers (PWC 2016) "the availability of personnel with key-competences" represents a major issue of concern for 85% from the Romanian respondents, against a global average of 72%. At the same time, a Manpower Survey (Manpower Group 2017) places Romania on the third position at global level regarding the difficulties employers encounter in identifying adequate labour force. The situation seems the more paradoxical since unemployment remains an

issue and employment continues to be much under the level of the year 2008 and a large part of the employed population continues to be in non-wage employment.

The issue needs to be analysed both from the quantitative (effective diminishment of labour force supply) and the qualitative (the so-called "mismatch of competences") viewpoint (the mismatch between the competences demanded by the employer and those available to individuals seeking jobs). Regarded strictly from the quantitative point of view, the situation in general does not justify the hypothesis of such a crisis. If, indeed, as of 2012 is noticed an increase in the vacancies' rate (or of the demand on labour market), the level was still much lower than the one before the crisis in 2016 (Figure 8).

The fact that unemployment did not decrease at the same quick pace in the same period is not necessarily surprising, especially if we consider the proliferation of fixed-term contracts, part-time contracts and temporary work agency contracts. However, a decrease of unemployment is noticed in 2016

Figure 8 The Beveridge-curve for EU-28, youths with ages between 15 and 24 years, Q 1/2014 - Q 2/2017



Data source: Eurostat statistics, (online code: [jvs_a_nace2] and [une_rt_q], author's own processingsa

accumulated with a slight increase in the number of vacancies.

Conclusions

A characteristic of the labour force market at national level is that the labour resources recorded an increase by 0.55 pp. in the year 2016, against 2015, and that the employment rate had an oscillating evolution with slight increases as of 2013 and reaching 61.6% in the year 2016.

The highest level of the employment rate for the working age population was recorded in 2016 for higher education graduates (86.2%). At the same time, 65.2% from the persons with secondary level were employed and 41.0% from those with lower education.

As compared with 2015, the numbers decreased for persons working in

Agriculture, Forestry and Fishing (-232 thousand persons), just as the numbers for those working in Education (-9 thousand persons), Public administration and defence (-8 thousand persons), Extractive industry, Information and Communications and Real estate transactions (all on decrease by 4 thousand persons against the preceding year) in 2016. The most significant increases against the preceding year were recorded by the Manufacturing industry (+46 thousand persons), Constructions (+42 thousand persons), Trade (+28 thousand persons) and Hotels and restaurants (+19 thousand persons) for the above-mentioned year.

Romania has a favourable position among the European Union member-states with an unemployment rate of 5.9% in the year 2016 (on decrease against the preceding year: 6.8% in 2015), ranked on the sixth position in the top of the countries with the

smallest unemployment rates, with a better position for unemployment than countries like France, Poland and even the Netherlands.

Next to atypical work based on labour contracts, dependent self-employment continues to weigh heavily on the Romanian labour market.

On genders, the difference between the two unemployment rates was of 1.6 pp (6.6% for men against 5.0 for women), and on areas of residence by 0.7 pp (6.3% in the rural area, against 5.6% in the urban area).

The fact that unemployment decreased at a high pace in the same period is not necessarily surprising, especially if we take into account the proliferation of fixed-term

contracts, part-time contracts and temporary agency contracts. However, a decrease of unemployment is noticed for 2016 which is cumulated with the slight increase of the vacancies' rate. Still, from both perspectives the Romanian labour market is still far from the situation of the year 2008.

The exhaustion of the labour force pool with matching competences, to the extent in which this issue might be considered, could have as reason the combination between the increasing demand (as result of investments) and the decrease of supply (due to demographic ageing and skilled workers' migration).

REFERENCES:

1. **Adăscăliței, D. și Clemente P.**, (2015), *Labour market reforms since the crisis: drivers and consequences*. Geneva: International Labour Office, www.ilo.org;
2. *Dezvoltarea potențialului de creare de locuri de muncă al unei noi economii durabile*, Rezoluția Parlamentului European din 7 septembrie 2010 referitoare la dezvoltarea potențialului de creare de locuri de muncă al unei noi economii durabile; (2010/2010(INI)) (2011/C 308 E/02), www.ur-lex.europa.eu;
3. *Employment and Social Developments in Europe 2015*, European Commission Directorate-General for Employment, Social Affairs and Inclusion Directorate. www.ec.europa.eu/social;
4. *Employment Outlook 2012 -2016*. Paris: OECD, www.oecd.org;
5. *EUROPA 2020, O strategie europeană pentru o creștere inteligentă, ecologică și favorabilă incluziunii*, Bruxelles, 3.3.2010, COM(2010) 2020 final, www.eur-lex.europa.eu;
6. *Eurostat statistics*, www.europa.eu;
7. **Guga Șt.**, (2016), *Atypical work in Romania since the outbreak of the crisis. An overview*. Next Publishing, Bucharest;
8. *Labour market statistics*, European Union, 2015, www.epp.eurostat.ec.europa.eu;
9. *Manpower Employment Outlook Survey Q I/2016*, Manpower Employment Outlook Survey, www.manpowergroup.com;
10. *Proiect de Raport Comun al Comisiei și al Consiliului privind Ocuparea Forței de Muncă, care însoțește Comunicarea Comisiei privind Analiza anuală a creșterii 2015*, Bruxelles, 28.11.2014 COM(2014) 906 final, [www.http://ec.europa.eu](http://ec.europa.eu);
11. *Proiect de raport comun al comisiei și al consiliului privind ocuparea forței de muncă care însoțește Comunicarea Comisiei privind Analiza anuală a creșterii 2015*, Bruxelles, 28.11.2014, COM(2014) 906 final, www.europa.eu;
12. *Romania's Statistical Yearbook 2008-2016*, National Institute of Statistics;

13. *Strategia Națională pentru Dezvoltare Durabilă a României Orizonturi 2013-2020-2030*, Guvernul României, Ministerul Mediului și Dezvoltării Durabile, Programul Națiunilor Unite pentru Dezvoltare și Centrul Național pentru Dezvoltare Durabilă, București 2008, www.agenda21.org.ro;
14. *Strategia Națională pentru Ocupare a Forței de Muncă 2014-2020*, Guvernul României Ministerul Muncii Familiei Protecției Sociale și Persoanelor Vârștnice, <http://www.mmuncii.ro>;
15. **Trif A., Koukiadaki A. and Kahancová M.**, (2016), „*The rise of the dual labour market: fighting precarious employment in the new member states through industrial relations. Country Report: Romania*”, Technical Report, European Commission, <http://doras.dcu.ie>;
16. *World Employment and Social Outlook 2016: Trends for youth - ILO*, Geneva, 2016, www.ilo.org;