

# THE LABOUR MARKET IN ROMANIA AFTER 1990

Pașca Cornelia Serena<sup>1</sup>

## **Abstract:**

*The highly centrally planned Romanian economy needed to evolve towards liberalization, with well – defined market mechanisms. The passing on from centralized to market economy, the amendment of manufacture systems stressing on the introduction of new technologies, the change of market from the one directed to eastern countries to the one regarding the western ones, opened both to Europe and the USA and even Africa, as well as the fact that Romania joined the EU, required for a restructuring of the labor market. The labor market underwent major changes after 1989, due to privatization and mass restructuring and what followed was major economic imbalance, high unemployment rates that determined both regional and international migration. Romanian economy faces extended difficulties in employing manpower, with various delays on the labor market due to a workforce shortage in certain geographic areas or economic branches, considering the difficult conditions brought about by the economic crisis supplemented by technological progress and population aging.*

**Key words:** *labour market, employment, unemployment.*

**JEL Classification:** E24, J21

## **1. WORKFORCE EMPLOYMENT**

Having over 240 million workers (2013), the European Union is the main supplier of goods and services world wide, having its own market and currency. In spite of these, one cannot speak of a common labour market at the European Union level, but only a European employment strategy.

The european society is changing, being influenced by different factors such as, technological progress, trade globalization and population aging. Romania's integration into the European Union, implied, since the pre-adherence period, an adaptaion of the social policies to the policy and values of the European Union.

Until the 1989 Revolution, in Romania social phonomena such as unemployment and poverty, were not recognised, bacuse the whole country was socially ensured, being considered in the same time economically employed. This situation changed dramatically with the tranzition to a market economy which implied massive layoffs, early retirements, severance payments, professional reorientation programs that generated major economic changes, such as the implementation of a social protection system, capable of counteracting the negative economic effects on the population.

The major objectives of employment policy at EU level are increasing the employment degree of labour force, improving job quality and working conditions, as well a worker mobility, information and counseling of workers, preventing poverty and social exclusion, promoting gender equality, for the modernization of the social protection systems. Growing inequalities between different groups of people, due to economic stress, determined an increase in health and social assistance expenses, leading to the emergence of vulnerable groups within society, that are subject to poverty. For the employment objectives to be achieved, the authorities, syndicates and individuals need to cooperate, coordinate and harmonize national and European policies.

### **1.1. Labor force employment at the European Union level**

Creating a qualifed, trained and adaptable labour force to respond to economic changes includes the development and promotion of a coordinated strategy with regard to the

---

<sup>1</sup>Phd, Faculty of Economics and Business Administration, Babeş Bolyai University, Cluj Napoca, Romania, e-mail pasca\_cornelia@yahoo.com

level of labour employment. The employment policy was several times at the edge of the European policies, being mentioned transiently in the initial treaties.

Labour force employment is a process of training, development, providing necessary resources, rewarding and stimulating workforce, a process that is economic, social, cultural and educational. It is not enough to create any jobs but quality positions must be created, that can allow a decent living to less qualified people that do not have many chances of promotion. The level, structure and efficiency of employment reflect the macroeconomic performance, exploitation of available resources, especially the human ones.

The employment rate between 15 and 64 years old in the EU - 28 was 64.9% in 2014. The highest rate, in the 28 EU countries was recorded in 2008, as 65.7 percentage, after which in the following years a decline was registered due to the economic crisis until 2014, when the average value increased to 64.9% which meant that the situation slightly improved. The decline of 1.7 percentage in 2010 as a result of the economic crisis was surpassed in 2011, when a small rise up to 64.2% was recorded, followed by another decline until 64.1% in 2012 and remaining at the same level, as seen in table no. 1.

**Table no.1 Employment rates in EU member states for the age group of 15-64 in 2004 - 2014 (%)**

Countries	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
EU-28	62.9	63.4	64.3	65.2	65.7	64.4	64.1	64.2	64.1	64.1	64.9
United Kingdom	71.7	71.7	71.6	71.5	71.5	69.9	69.4	69.3	69.9	70.5	71.7
Austria	66.5	67.4	68.6	69.9	70.8	70.3	70.8	71.1	71.4	71.4	71.1
Belgium	60.3	61.1	61.0	62.0	62.4	61.6	62.0	61.9	61.8	61.8	61.9
Bulgaria	54.2	55.8	58.6	61.7	64.0	62.6	59.7	58.4	58.8	59.5	61.0
Czech Republic	64.2	64.8	65.3	66.1	66.6	65.4	65.0	65.7	66.5	67.7	69.0
Cyprus	68.9	68.5	69.6	71.0	70.9	69.0	68.9	67.6	64.6	61.7	62.1
Croatia	54.7	55.0	55.6	57.1	57.8	56.6	54.0	52.4	50.7	49.2	54.6
Denmark	75.7	75.9	77.4	77.0	77.9	75.3	73.3	73.1	72.6	72.5	72.8
Estonia	63.1	64.8	68.4	69.8	70.1	63.8	61.2	65.3	67.1	68.5	69.6
Finland	67.6	68.4	69.3	70.3	71.1	68.7	68.1	69.0	69.4	68.9	68.7
France	63.7	63.7	63.6	64.3	64.8	64.0	64.9	63.8	63.9	64.1	64.3
Germany	65.0	65.5	67.2	69.0	70.1	70.3	71.1	72.5	72.8	73.3	73.8
Greece	59.4	60.1	61.0	61.4	61.9	61.2	59.6	55.6	51.3	49.3	49.4
Ireland	66.3	67.6	68.7	69.2	67.6	61.9	59.6	58.9	58.5	60.5	61.7
Italy	57.6	57.6	58.4	58.7	58.7	57.5	56.9	56.9	56.8	55.6	55.7
Latvia	62.3	63.3	66.3	68.1	68.2	60.3	58.5	60.8	63.0	65.0	66.3
Lithuania	61.6	62.9	63.6	65.0	64.4	59.9	57.6	62.0	62.0	63.7	65.7
Luxemburg	62.5	63.6	63.6	64.2	63.4	65.2	65.2	64.6	65.8	65.7	66.6
Malta	54.0	53.6	53.9	55.0	55.5	55.3	56.2	57.9	59.1	60.8	62.3
Netherlands	73.1	73.2	74.3	76.0	77.2	77.0	74.7	74.2	74.4	73.6	73.1
Poland	51.7	52.8	54.5	57.0	59.2	59.3	58.9	59.3	59.7	60.0	61.7
Countries	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Portugal	67.6	67.3	67.6	67.6	68.0	66.1	65.3	63.8	61.4	60.6	62.6
Romania	57.7	57.6	58.8	58.8	59.0	58.6	60.2	59.3	60.2	60.1	61.0
Slovenia	65.3	66.0	66.6	67.8	68.5	67.5	66.2	64.4	64.1	63.3	63.9
Slovakia	57.0	57.7	59.4	60.7	62.3	60.2	58.8	59.3	59.7	59.9	61.0

Countries	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Spain	61.1	63.3	65.0	65.8	64.5	60.0	58.5	58.0	55.8	54.8	56.0
Sweden	72.1	72.5	73.1	74.2	74.3	72.2	72.1	73.6	73.8	74.4	74.9
Hungary	56.8	56.9	57.4	57.0	56.4	55.0	54.9	55.8	56.7	58.1	61.8

Source: Eurostat ([http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Employment\\_rate,\\_age\\_group\\_15%E2%80%9364,\\_2004%E2%80%9314\\_\(%25\)\\_YB16.png](http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Employment_rate,_age_group_15%E2%80%9364,_2004%E2%80%9314_(%25)_YB16.png))

The employment rates maintained in many EU member states during the crisis, mainly because of the the increase in the degree of employment of older workers (between 55 and 64 years old) and women. In 2014, the employment rate in Romania, was of 61%, below the EU-28 average, which was of 64.9%. the highest rate was reorded in Sweden (74.9%), over the EU-28 average. In spite the fact that the employment rate of people between the ages of 15 and 64, was in 2014 below EU average, Romania has an employed population higher than Spain, where in 2014 was at 56%, Italy when it was at 55.7% or Greece, who held the last position at the EU level (49.4%).

### ***1.1. Labour force employment in Romania***

In Romania, after 1990, the young population decreased while the older population increased, therefore enhancing the demografic gaps. The total fertility, the index that gives information regarding the replacement of a generation in time, is decreasing in Romania. For this index to reflect the replacement potential of a generation, it must have the value of two new-borns per woman, but in Romania's case, this value is of 1,535 children per woman (World Population Review, 2015), which indicates a tendency for decline with respect to this demografic indicator.

In the last 25 years a drastic decline in the total population of Romania was recorded, from 23 489 361 people in 1990 to 19 511 324 inhabitants in 2015, reaching in 2030, according to forecasts to 15 206 524 people as seen in table no. 2. This decline is due to a reduced fertility rate, negative natural increase, child mortality – which is at the highest rate in the EU – as well emigration, a tendency that will continue through the following 35 years (annex 1). A 22% decline is foressen by 2050 (World Population Review, 2015) reaching to approximately 15 million inhabitants (15 206 524), considering that the total population, worldwide will rise.

***Table no. 2 Romania's population between 1990 – 2050***

Years	1990	1995	2000	2005	2010	2015
Population	23489361	22965125	22128139	21407619	20298838	19511324
Forecasts						
	2020	2025	2030	2040	2045	2050
	18847505	18229006	17639269	16448539	15835011	15206524

Source: World Population Review, 2015 (<http://worldpopulationreview.com/countries/romania-population/>)

The birth-rate and death-rate are the factors that influence the demografic rate. Statistics place Romania among the last positions worldwide on the chapter of birth-rate (182 out of 192 countries) and among the first places regarding the death-rate (9 out of 192). As a result, the number of new-borns per day is 2,36 reported to the number of deaths, that is 3,588 per day (World Population Review, 2015).

The life expectancy in Romania is of 75,11 years, among women is 78,67 years, being with 7 years more than men, who have a life expectancy of 71,62 years (World Population Review, 2015). Even though, the life expectancy of men is lower than women, the healthy life years<sup>1</sup> is higer among

<sup>1</sup> Healthy life years (also called disability-free life expectancy) is defined as the number of years that a person is expected to continue to live in a healthy condition. ([http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Healthy\\_life\\_years\\_\(HLY\)](http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Healthy_life_years_(HLY))).

men. The reduced fertility rate and gradual reduction of mortality among the elderly, are the main causes that contribute to population aging in Romania and the EU.

The highest employment rate, in Romania, during 2004 - 2014, was at persons between the ages of 25 and 54, reaching a maximum in 2014, of 77.1% (Figure no. 1), being at a distance of 4.3 percentages in comparison with the national target of 70%, established in the 2020 European Strategy, having a population employment rate, between the ages of 20-64, of 65.7% (2014). At the opposite pole, the lowest employment rate is registred at people between the ages of 15-24, that is the young, their percentage reaching declines in the last ten years, until the minimum recorded value in 2014, of 22.5%, a very low level, that is alarmfull.

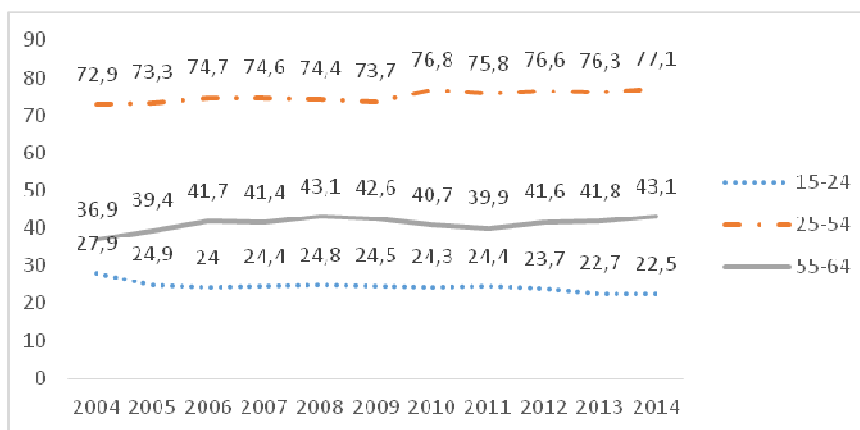


Figure no.1 Employment rate on age groups in Romania during 2004-2014(%)

Source: own editing based on Eurostat data

The population between 15 and 24 years old, that do not work or follow any type of education are called NEETs (“Not in Education, Employment or Training”). On the long term, the consequences of the situation of young people that are not employed, educated or trained are alarming, among which we can mention poverty and social exclusion. In other words, poverty, marginalisation and social exclusion represent the logical consequences of a potential failure of investments in the human capital and education of the young.

Analising the data regarding the evolution of the employment rate of the young and the rate of NEET’s is difficult, since there are few analysis made in this regard. A reduced rate of employment does not necessarily mean that these persons are included in the education system, on the contrary, the most plausible explanation is that a reduced rate of employment of young people and a high number of NEET, indicate that a large number of people are involved in the „underground” economy, doing undeclared work. Another explanation may be that a large number of young people migrated into other EU countries, without declaring this to the authorities (Bălan, 2014).

In rural areas, in the north-east part of Romania, in the roma population, the young, those with low education, the unemployed and the self-employed, poverty has a higher rate than the rest of the country (The World Bank, 2007).

In Romania, work exclusion, education and training are a larger problem than the EU-28, where in 2014, the number of young people with ages between 18-24 is of 16.3% (men: 16% and women: 16.6%) (Table no.3).

**Table no.3 Share of young people between 18 and 24 years old that are not in learning, working or training, according to sex (%)**

18-24	2010	2011	2012	2013	2014
Total					
UE-28	16,5	16,7	17,1	17,0	16,3
Romania	20,7	21,6	20,8	21,3	21,4
Men					
UE-28	15,9	16,1	16,7	16,7	16,0
Romania	17,7	20,0	18,7	19,3	19,3
Women					
UE-28	17,2	17,3	17,5	17,4	16,6
Romania	23,9	23,3	23,0	23,4	23,7

Source: own editing after Eurostat data

The significant share of these young people that are not employed or in an education or training in Romania, with ages between 18 and 24 years old, especially women where the rate is of with 7.1 percentage points higher than the average of the EU-28 in 2014 (26.7%), draws an alarm sign that must be taken into account since these people are exposed to a high risk of poverty and social exclusion in terms of underperformance in education and due to lack of experience in the work field, without the necessary training in view of improving the economic situation. So, a multidimensional approach is required, that will allow these people to be reintegrated in the education system and offering them jobs.

In order to reduce the number of NEET and increase the degree of employment, a series of measures can be applied, some included in figure no. 2, among which:

1. **Measures to prevent early school abandonment** – this set of measures must be applied before the event happens through the existence of means to sustain them in schools and at home in view of continuous education and/or training.

2. **Measures to reintegrate those who abandoned early the school system** – these measures concern the returning to education and training of the young, by offering support to those who just decided to leave school, and encouraging them to continue their studies or helping them find an alternative to continue their education (ex. training, qualification courses, etc.).

3. **Measures to facilitate the transition from school to job** – the main purpose of these measures is to ease the transition of the young from „to learn to win” and so to sustain completely education and training.

4. **Measures to ensure the employment of the young and measures that help disadvantaged groups on the labour market** – represent measures meant to stop the logistical barriers concerning the hiring by intervening close to the moment of entering the labour field, through finding links between the training and knowledge held by the young and a certain job; as well as removing the barriers that young people face regarding different vulnerabilities on the labour market.



Figure no. 3 Measures to reduce the number of young people that are not in any form of education, employment or training (NEET)

Source: Eurofound

([http://eurofound.europa.eu/sites/default/files/ef\\_images/emcc/images/neets/neetscompletev2.png](http://eurofound.europa.eu/sites/default/files/ef_images/emcc/images/neets/neetscompletev2.png))

In the current economy, qualified work is more required than unqualified one. The work demand for people that graduated from a university will rise with 5% from 2003 until 2020, from 18.3% until 23% and the rate of those without professional training will decrease from 12 percentages in 2003 to 9 in 2020 (Grasedieck, 2013). The young people from today's Europe have fewer chances of getting hired or follow training in a company if they do not have at least university studies completed.

The aging process and reduction in the number of inhabitants has as consequences an increase in expenditure in terms of social welfare and healthcare, affecting the internal rate of savings and investments as well as a decrease in Gross Domestic Product (GDP) by diminishing labour's contribution. Achieving the main objective of the Europe 2020 Strategy, to have an employment rate for women and men aged between 20 and 64 years old of 75% is impossible. On medium term, there are several trends that will lead to a continuous increase in employment, in areas such as information technology, green economy or health.

## **2. MIGRATION OF ROMANIANS**

Currently, Romanian immigrants, represent the largest group of immigrants coming from a European country, their number reaching almost 3 million people. According to the National Human Development Report in Romania (UNDP, 2007) one in five families in Romania had a person working abroad. Before the fall of communism in 1989, Romanian emigrants fled the country in order to escape from the persecutions they faced as a result of the communist political regime that transgressed fundamental rights related to the free circulation of people, salary rights, freedom of speech, etc. Individuals emigrated on ethnical grounds, most of them being Germans, Hungarians or Jews and the destination countries were Germany, Hungary, Israel and the USA. No matter the method that Romanians choose to leave abroad, it must be legal, in order to protect migrants from possible inhuman treatment that they might be subject to.

In some regions of Romania, permanent or temporary massive migration, created a labor shortage causing a series of social problems. Initiating new business or investment in the local economy may contribute to the development of the business environment and a local sustainable development. Next to this, keeping specialists in Romania and attracting new ones may lead to a balance of the internal labor market.

Following the EU enlargement to 27 Member States in 2007, it has considerably increased the geographical area where it can exercise free movement of persons although only a few of the old Member States have allowed free access to the labor market. From the 1st of January 2007, Romania became a EU member state, being in return a destination country for illegal migration from people outside the EU, or, even a transit country, being at the eastern border of the EU. Asia, the migrant vessel of our century, represents a challenge because the legal and illegal migration routes are already formed and quite flexible. The transit migration, through Central and Eastern Europe entering Romania, consists of an increasing number of illegal emigrants, out of which some correspond to the asylum criteria, but who, from different reasons do not ask and prefer to transit further, towards the European Union (Constantin, 2004).

The international data regarding the number of Romanian migrants differs significantly. For example, for 2013, the International Migration Organisation reported a number of 2 769 053 Romanian emigrants (I.O.M), representing 12.17% of the total country's population. The World Bank reported a number of 3 430 500 people that left Romania (World Bank, 2016), which represents 17.2 % of the total population (19 900 000) and Eurostat reported a number of 1 536 000 immigrants from Romania out of a total population of 19 947 300, representing 7.7%.

The migration of qualified persons represents an important and growing factor in the last decade (Arslan et al. 2014; Kvedaraitė et al. 2015). The increase in the flow of emigrants from

developing countries into developed ones, as it is Romania's case, is associated with the unbalance between the workforce offer and demand and with the uneven economic development of these countries. Unemployment, salary and lifestyle differences that appear in the economies of different countries, determine the migration of an increased number of young people, especially people with higher education (Kvedaraitė et al., 2015). Next to the economic factors that determine migration such as GDP per inhabitant, other aspects were determined that are equally important such as, the existence of networks with regard to migration (Grossman, 2010; Samet, 2014) as well as the prestige of education institutions (Fossland, 2013). There are two types of networks effects: one that encourages commerce, direct foreign investments and technological development, and networks that encourage migration. Educated migrants have an active role in creating these networks within business networks, therefore developing the premises to attract direct foreign investments (Suditu, 2013).

Romania suffered major losses of human intelligence starting from the 90's, when an alarming number of specialists, such as engineers, scientists, researchers, left in countries such as the USA, United Kingdom, France, Ireland and Germany. Most specialists left because of scholarships and substantial salary packages promised as well as achieving a prestigious social status. The substantial budget reduction for research and development to below 1% from the GDP as well as the reduced development of private research institutes, determined the departure in large numbers of researchers, teachers, doctors. The most important fields of activity of migrants are information, law and science.

Because of the fact that from our country, a significant number of qualified people left, it is mandatory to apply national policies to attract specialists in Romania through: stimulating businesses by assistance in starting a new project; stimulating the young in view of starting new businesses; stimulating innovation; developing research. All these measures may lead to balancing the internal labour market with regard to the demand and offer of young and highly qualified workforce (Boboc & Tudose, 2011).

### **Conclusions**

The population structure in our country is not balanced, it is old, even though the life expectancy increased, it does not compensate for the number of young people of working age, which is in a continuous decline, the inactivity rates being high, the life standard being low, emigration reaching alarming proportions, are all the reasons in increasing the employment of the workforce, especially among young people, women and disadvantaged persons.

The economic performances and innovation capacity are the concepts of today's society. It is well known that highly trained persons have found quickly a job, anywhere and in any economic context, whether it is precarious or better, so educating the young at the highest level is imposed, in order to benefit from trainings and the best employment opportunities. Unfortunately, every year, well trained persons leave Romania, a phenomena that is called "brain drain", being attracted by much higher salaries they receive in other countries, as well as better working and living conditions.

The sharp decrease in Romania's total population especially during the period 2000-2014, high poverty levels and social exclusion in certain areas of the country, low participation in the labour market, emigration of qualified people, unsatisfactory school results, are all cause for concern for the labour market, therefore necessitating drastic improvements.

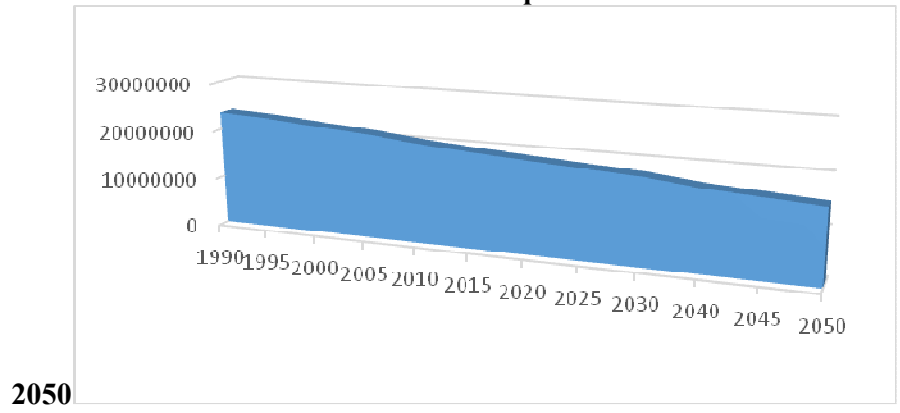


## References

1. Arslan C., Dumont J.C., Kone Z., Moullan Y., Caglar O., Parsons C., Xenogeny T. - A New Profile of Migrants in the Aftermath of the Recent Economic Crisis, *OECD Social, Employment and Migration Working Papers* 160, OECD publications, 2014.
2. Banca Mondială, Divizia pentru Dezvoltare Umană, Regiunea Europa și Asia Centrală, Ministerul Muncii, Familiei și Egalității de Șanse, Institutul Național de Statistică *România: Raport de evaluare a sărăciei*, 2007, <http://siteresources.worldbank.org/INTROMANIAINROMANIAN/Resources/PovertyAssessmentReportRom.pdf>, accesat la 26.01.2016
3. Bălan, Mariana - *Youth Labour Market Evolutions at Regional Level in Romania*, Internal Auditing & Risk Management Year IX, No. 2(34), June 2014.
4. Boboc Cristina, Țițan Emilia, Tudose Elena - Piața muncii din România - persoane vulnerabile și vulnerabilități“, *Revista Română de Statistică* nr. 5 / 2011.
5. Fossland Trine - Negotiating future careers. A relational perspective on skilled migrants' labour market participation, *Journal of Management Development*, 32(2), 2013.
6. Comenius Multilateral Project - Cross Perspectives on exile. *Migration in Europe. A brief history and a useful glossary*, Ed. Transversal, Târgoviște, 2010.
7. Constantin Daniela L. (coord.), Vasile V., Preda D., Nicolescu L. - *Studiul nr. 5.Fenomenul migraționist din perspectiva aderării României la Uniunea Europeană*, Institutul European din România, București, 2004.
8. Grasedieck Dieter – *More practice and life orientation in vocational and theoretical University Education*, Ed. Presa Universitară Clujeană, Cluj Napoca, 2013.
9. Grossman Martin - Business networks, “brain circulation”, and the American Chinese diaspora, *The journal of information and knowledge management systems*, 40(3/4), 2010.
10. Kvedaraitė N., Baksys D., Repeckienė A., Glinskiene R. - Research of Experience of Emigration for Employment and Education Purposes of Students, *Inzinerine Ekonomika-Engineering Economics*, 2015, 26(1).
11. Samet, Kaies - Brain Gain, Technology Transfer and Economic Growth: Case of Tunisia, *International Journal of Economics and Finance*, 6(9), <http://dx.doi.org/10.5539/ijef.v6n9p57>, 2014.
12. Suditu Bogdan Alexandru (coord.) - *Perspectivile politicii de migrație în contextul demografic actual din România*, Institutul European din România, București, 2013.
13. OSCE, I.O.M., I.L.O., “*Handbook on Establishing Effective Labour Migration Policies in Countries of Origin and Destination*“, Viena, 2012.
14. The United Nations Development Program (UNDP) - *National Human Development in Romania, 2007*, București, 2007.
15. World Bank - *Migration and Remittances Factbook 2016*, Third Edition, 2016, <http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1199807908806/4549025-1450455807487/Factbookpart1.pdf>
16. World Population Review - *Romanina Population 2015*, <http://worldpopulationreview.com/countries/romania-population/>
17. IOM, <http://www.iom.int/world-migration>, accesat la 26.01.2016
18. Eurostat, [http://ec.europa.eu/eurostat/statistics-explained/index.php/Migration\\_and\\_migrant\\_population\\_statistics/ro](http://ec.europa.eu/eurostat/statistics-explained/index.php/Migration_and_migrant_population_statistics/ro), accesat la 28.01.2016
19. Europa.eu ([http://ec.europa.eu/europe2020/pdf/2015/jer2015\\_ro.pdf](http://ec.europa.eu/europe2020/pdf/2015/jer2015_ro.pdf), p. 8)



Annex no. 1 Romanian Population 1990 –



2050

Source: own editing based on World Population Review, 2015  
(<http://worldpopulationreview.com/countries/romania-population>)