

COMPARATIVE ANALYSIS OF THE LABOUR MARKET IN ROMANIA AND OTHER MEMBER STATES

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Abstract

The last economic-financial crisis affected seriously labour force employment, young individuals being more vulnerable to the effects of the unstable economic cycles on the labour force market.

With respect to unemployment, youths are most vulnerable because they have less experience and the majority of temporary work contracts. The labour force market is also more competitive during times of crisis, meaning that there are more applicants for fewer jobs.

The paper presents a brief analysis of the development for some indicators on the labour market for the age segment 15 to 24 years and 25 to 64 years of age at European and national level.

Keywords: *youths, employment, unemployment rate*

JEL Classification: *E24, J6, J20, J21*

Introduction

After seven years since the outbreak of the financial and economic crisis, the world economic entered into stage of slight economic growth which continues to remain under the sign of uncertainty and of risks with origins predominantly in the financial industries. However, economic growth is still much under the values recorded in the pre-crisis period and much too slow for solving the issues generated by the crisis on the labour market. Even if economic growth sped up to a certain extent in some advanced economies from southern Asia, Middle East and Sub-Saharan

Africa, it cannot compensate at global level the marked slowdown of economic activity, in particular in Central and South-eastern Europe, CIS, Eastern Asia, South-East Asia and the Pacific, in Latin America, Caribbean and North-Africa.

These trends intensified the existing vulnerabilities on the labour market and made harder the efforts to diminish unemployment and under-employment of labour force, at least to the level before the crisis in the majority of countries. According to the forecasts of the International Monetary Fund, the slight speed up of global economic growth in the following two years is due partly to the decrease in the oil prices and to the improved financial conditions in some advanced economies. Yet, even under the conditions in which these forecasts are materialised based on current policies it is less probable that existing pressures on the labour market would diminish.

This is due also to the fact that at world level are required more than 61 million jobs for diminishing and recovering the jobs' gap triggered by the economic recession. In the time from 1991-2007, the employment rate of labour force increased by an average annual rate of 1.7%, and since the outbreak of the crisis (2007 and up to 2015), the increase in labour force employment decreased to 1.1 %. According to the data delivered by the International Labour Office as of 2016¹, unemployment will continue to increase. Unemployment at world level was of 201.3 million persons in 2015, on increase by approximately 1.2 million against the preceding year and by approximately 31 million more as compared to the year 2007. The reason resides in the necessity of creating more jobs that are new. But, according to the provisions of the International Labour Office in the following years is expected that the rate of creating new jobs will remain relatively constant, which will lead to an increase in the jobs' gap of about 80 million, in the year 2019.

The estimates about the development of unemployment at world level indicates a slight increase of this indicator for 2016 as well, and thereafter it will remain unchanged up to the year 2018, the most significant increases being forecasted for 2016 in Eastern Asia and the Middle East.

In turn, for elderly during the crisis the employment rates remained relatively stable, even for those countries that were affected severely by it. A particularity of the recent economic-financial crisis is the fact that many companies decided not to layoff the more experienced elderly. This is opposed to the trend of previous crises, when they were often times pushed into early retirement. However, statistics indicate that elderly who lost their

¹ *World employment and social outlook: Trends 2015*/International Labour Office. – Geneva: ILO, 2015

jobs during the recent crisis were faced with more difficulties in obtaining new jobs (Mayer, 2014).

The European Union despite generating 20% of the world economic output did not succeed in finding the balance between austerity and economic growth, after a decade in which public spending ran out of control and which is concluded, apparently, in a W-shaped recession. Moreover, increasingly frequently the specialised economic literature mentions the importance that the EU should have given to complex pluri- and multidisciplinary analyses with respect to the interdependence and the interaction between the field of economic policies and the social ones. This refers in particular to determining and defining the objectives regarding the developments on the economic market and, in particular, those regarding the policies addressed directly to vulnerable groups in which also the youths are included.

1. Employment and unemployment on the labour market in Romania and the European Union

While unemployment is the most pressing challenge for youths, the unemployment rates decreased in the last years. In 2015, the employment rate of the youths with ages between 15-24 years was of 33.0%, on increase by 0.9 pp against the year 2013, when the lowest level ever recorded within the EU was reached. The employment rate of those with ages between 25 and 64 years suffered a much more modest decline in the same period, from 72% in 2008 to 70.6% in 2013, but on slight increase in 2014 and 2015 when it reached 71.4%, respectively 72.1%.

Regarding **employment**, in 2015, high differences exist among the member-states of the EU (Table no. 1). Youths are much more involved on the labour market in countries such as the Netherlands (60.8%), Denmark (55.4%), Austria (51.3%), Great Britain (50.1%), and Germany (45.3%). In turn, the employment rate for individuals with ages between 25-64 years is over 75% in Sweden, Germany, Estonia, Denmark, Great Britain, the Netherlands, Lithuania, and the Czech Republic.

Table no. 1 Employment indicators for the age group 15-24 years and 25-64 years, 2015, (%)

	Employment rate		Part-time employment		Temporary employment	
	15-24 years	25-64 years	15-24 years	25-64 years	15-24 years	25-64 years
EU-28	33,0	72,1	32,2	18,4	43,5	11,2
Belgium	23,4	70,3	27,4	24,1	36,6	6,8

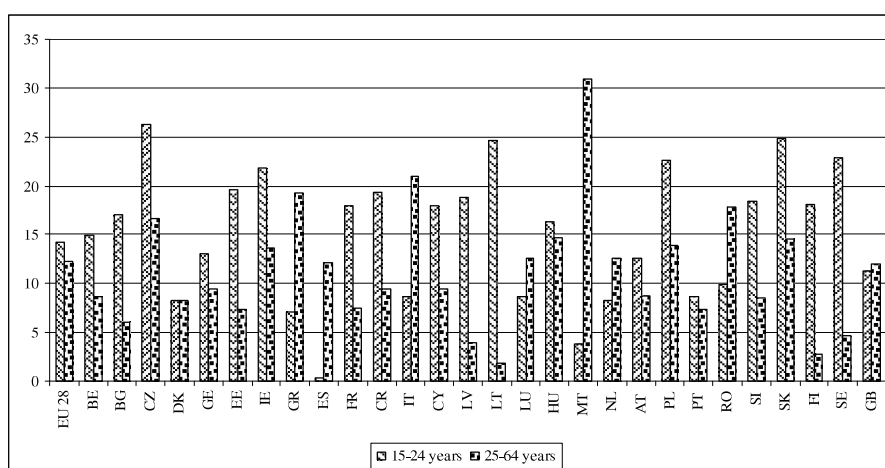
	Employment rate		Part-time employment		Temporary employment	
Bulgaria	20,3	70,4	5,7	2,0	11,7	4,0
Czech R.	28,4	77,7	10,8	4,9	31,0	8,5
Denmark	55,4	78,0	67,0	17,2	22,7	6,0
Germany	45,3	79,4	23,6	27,1	53,6	8,4
Estonia	36,3	78,6	22,8	8,4	11,4	2,7
Ireland	28,7	70,5	44,5	20,3	32,7	6,3
Greece	13,0	57,6	23,1	8,8	33,3	10,9
Spain	17,9	64,6	37,9	14,6	70,4	22,8
France	27,8	71,8	24,8	17,8	59,6	12,6
Croatia	19,0	63,5	12,2	5,5	60,9	17,4
Italy	15,6	63,6	29,5	17,8	57,1	11,9
Cyprus	25,3	70,7	25,9	12,0	29,1	17,6
Latvia	34,5	74,4	12,3	6,8	10,9	3,1
Lithuania	28,3	76,4	11,4	7,3	6,5	1,7
Luxemburg	29,1	73,8	29,1	17,6	47,1	7,4
Hungary	25,7	71,7	6,9	5,6	24,1	10,4
Malta	45,5	68,0	23,0	13,2	16,8	5,8
The Netherlands	60,8	77,2	80,0	44,5	53,3	13,2
Austria	51,3	75,2	22,7	27,9	35,8	4,9
Poland	26,0	70,3	14,1	6,2	72,7	24,3
Portugal	22,8	71,9	22,6	9,0	67,5	18,8
Romania	24,5	68,6	19,2	8,1	5,4	1,2
Slovenia	29,6	71,4	41,3	7,8	75,5	13,8
Slovakia	23,3	70,9	11,9	5,4	29,1	9,1
Finland	40,5	74,7	41,7	10,8	41,8	11,6
Sweden	43,9	83,1	49,1	21,2	55,7	11,3
Great Britain	50,1	77,9	37,9	23,3	15,0	4,6

Data source: Eurostat statistics, (online data code: [lfsq_ergaed], [lfsq_etpga], [lfsq_eppga])

In 2015, the employment rate of youths with ages between 15-24 years at EU-28 level was of 33%, on decrease by 4.2 pp against 2007, and for the age segment 25-64 years, the year 2015 was the first post-crisis year when the employment rate increased by 0.1 percentage points.

In all Member-States the employment rate both for the age group segment 15-24 years, and for the one for the age group 25-64 years was higher for men (Figure 1).

Figure 1 Gap between the men and women employment rate for the age groups 15-24 years and 25-65 years, in the year 2015, (%)



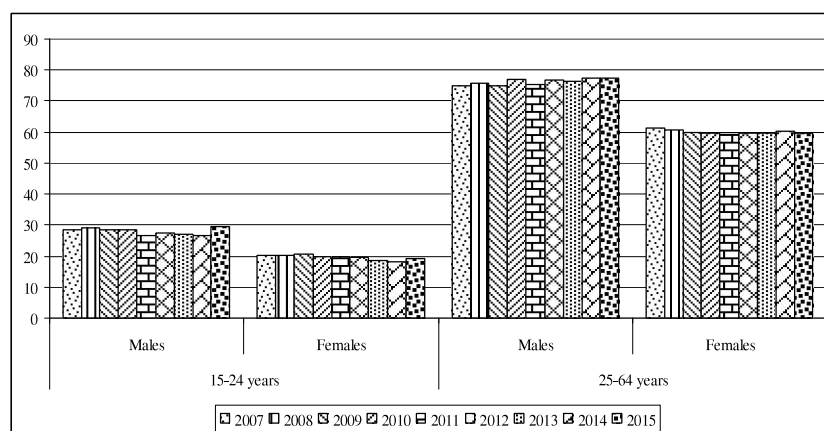
Data source: Eurostat statistics (online data code: [Ifsa_ergan])

The gap of labour force employment was shown both for individuals with low education and skills level, and for those with tertiary education.

In Romania as well, the employment rate of young individuals with ages between 15-24 years diminished during the last years, the year 2015 being the first in which it reached the value from 2007 of 24.5%. For the age group 25-64 years, the employment rate varied very little in the period 2007-2015 (in average it was 68.02%).

The economic recession had as effect also the diminishment of the employment rate on genders and, in Romania, this process was more marked than the EU-28 average. Thus, in the year 2008, the gap between the employment rate for young men, and the one for women was of 8.9 pp in Romania, against 5.8 pp. in EU-28, and respectively of 10.1 pp against 3.6 pp in the year 2015 (Figure 2). For the age group between 25-64 years also, the difference in 2015 was of 17.9 pp against 12.2 pp. at EU-28.

Figure 2 Development of the employment rate for youths (15-24 years of age) in Romania, (%)



Data source: Eurostat statistics (online data code: [lfsi_emp_a])

In particular, for the age group 15-24 years and 25-29 years, who have a temporary or part-time job, this period, can be seen as an important stage towards full-employment of labour force.

In the years preceding the crisis, the share of youths who had temporary jobs increased significantly in Europe. Even if after 2008 European economies entered into recession and large-scale losses occurred with respect to jobs, still, the share of youths employed based on temporary contracts recorded slight increases in the period 2009-2015, as compared to the situation for adults. The ascending trend was maintained also in the year 2015, when 43.5% from employed youths (with ages between 15-24 years) had temporary contracts within the EU-28, as compared with 11.2% among those with ages between 25 and 64 years.

The employment of labour force based on the part-time system is less attractive for the age group 15 to 24 years, the average employment rate at EU-28 level being of 32.2% in the year 2015 (Table no. 1). On the other hand, the gap between the part-time labour force employment between young workers and elderly is not as wide as in the case of temporary contracts: 18.4 pp against 32.2 pp. The part-time employment gained more weight in countries such as the Netherlands, Denmark, Sweden, Finland, Slovenia, and Ireland, where over 40% of the employees are active on the labour market according to this system (Table no. 1).

With respect to youths insertion on the labour market, an additional pressure on the unemployment rate is expected to occur when those who extend their period of studies because of the limited perspectives of finding a job will enter, finally, on the labour force market.

The lacking length of service, specific to the human capital in companies, the missing experience on the labour market of the youths, the

higher probability to work within companies on determined periods of time, and other employment forms under precarious conditions are but few of the factors that lead to increased numbers of unemployed among youths.

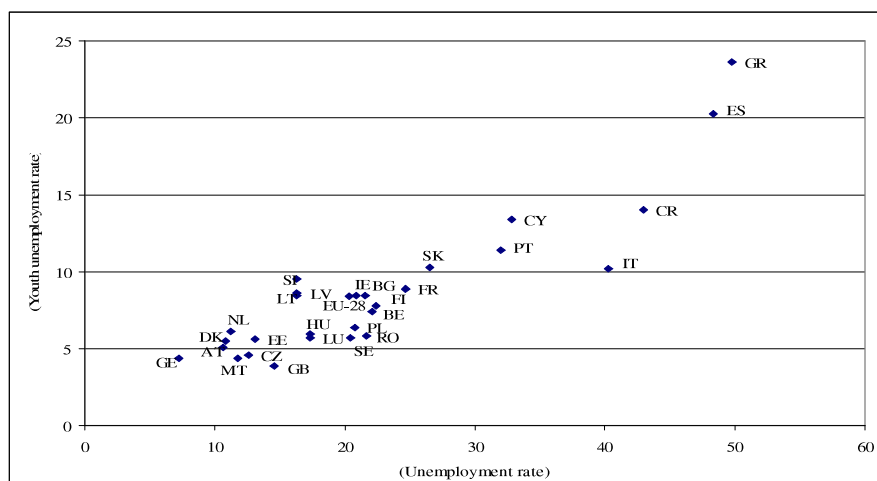
Under such circumstances, the transition from school to labour market tends to turn into a chain of temporary episodes of training, education, compulsory or military or civil service, and other activities. This takes place often in an institutional framework characterised most times by fixed entry dates outside the labour market and which do not take into account the requirements of the labour force market. To these is added also the fact that in some countries youths have less resources than elderly workers, and in others they have a strong financial attachment to the family and thus are less mobile in searching for a job.

The unemployment rate for the age segment under 25 years, at EU-28 level was of 20.4% in the year 2015, on increase by 4.9 pp against the year 2007, but on slight decrease (by 1.8 percentage points) against the year 2014. For the age group 25-64 years, the unemployment rate increased in the period 2007-2014 by 2.3 percentage points, and the diminishment in 2015 against the preceding year was of only 0.7%.

In Romania also in 2015 the unemployment rate among youths with ages between 15-24 years was of 21,7%, much over the one for the age group 25-34 years of 5,8%.

In the majority of member-states in 2015 as well, the unemployment rate among youths continued to increase as they are faced with extremely high unemployment rates. If adults registered an unemployment rate of 8.4 percents in 2015, youths faced an unemployment rate of 20.4% (Figure 3). This means that the ratio between the unemployment rate of youths and adults is of 2.43 for EU-28. This ratio was of over three in a series of countries: especially in Italy (3.95), Great Britain (3.74), Romania (3.74), Sweden (3.58), Poland (3.25), Croatia (3.07) and Luxemburg (3.04) (Figure 3). The value of this ratio in Romania places the country on the third position among the Member-States (after Luxemburg and Great Britain).

Figure 3 Unemployment rate in EU-28 countries in 2015, (%)



Data source: Eurostat statistics, (online data code: [lfsa_urgan])

In other countries, the value of this ratio is under 2: Germany (1.64), Latvia (1.72), Lithuania (1.90), the Netherlands (1.85) Slovenia (1.92), and Denmark (1.96).

The unemployment rate among youths and adults, both, recorded high differences between countries: the highest values were recorded in Greece (49.8% and 23.6%) and Spain (48.3% and 20.3%).

Unemployment among youths is also dependent on their educational level. For the age group 15-24 years, in general, the highest unemployment is recorded for youths with pre-school, primary and lower secondary education (ISCED levels 0-2). In Slovenia and Slovakia, is noticeable a higher number among youths with higher education against those with average educational levels. Romania is the only country where the differences between the weight of young unemployed with higher education and those with the ISCED levels 0-2 or 3-4 are significant. For the age group 25-64 years, in 2015, in the majority of countries, the weight of unemployed with higher education is much lower than for the unemployed with the educational levels 0-2 or 3-4.

Conclusions

To a certain extent, the national economies in Europe succeeded in recovering the losses, and reaching the levels of economic growth from the pre-crisis period. Still, the number of generated jobs is not enough for diminishing the pressures on the labour force market. This state-of-affairs is due to the increased complexity of the economic environment that underwent deep changes, including during the crisis period. Therefore, the options of many enterprises and companies being to achieve economies in

particular by implementing new technologies on a large-scale, and implicitly reducing the number of jobs and, especially, by decreasing the opportunities related to the creation of new jobs.

During the recent recession, unemployment affected in particular young individuals, irrespective of their training level. Unemployment among youths increased dramatically even among those with higher education, under the conditions in which the employment perspectives on the labour market were diminished considerably.

Even if after 2008 European economies entered into recession and large-scale losses were recorded with respect to jobs, still, the share of youths employed based on temporary contracts continued to register slight increases against the weight of those in the age segment 25 to 64 years.

The gap in part-time labour force employment between young employees and the elderly ones is not as high as in the case of temporary contracts.

In Romania as well, in the year 2015, the unemployment rate among youths with ages between 15-24 years was of 21,7%, and for the age group 25-64 years of 5,8%. The differentiation of the unemployment rate could be seen also between men and women, for both age groups, respectively 15 to 24 years of age and for the age group 25 to 64 years.

Unprecedented increases in the unemployment duration were also due to the persistence of some volatile and fragile economic conditions on the labour market in several countries.

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