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## STRUCTURAL CHANGES IN THE ROMANIAN LABOUR MARKET

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**Abstract:** *Analysis of the effect on the evolution of the labor market predicts a significant increase of demand in skills and qualifications on all levels of workplaces in the future. Industrial and technological changes bring along higher demands of medium-to-highly qualified personnel, while leaving behind the underprepared. Workplaces that required a low level of preparation in the past have also shown a constant increase in medium or even high-level skill requirements. Currently, the level of skill demand is increasing in all professional categories, including even the lowest tiers of occupations. There is a noticeable increase in demand for a highly qualified and adaptive workforce, as well as workplaces requiring high qualifications and formal education. Requirements regarding skills and qualifications also suffer a significant increase in all workplace levels. Structural changes in the labor market lead to a polarizing increase of workplaces dedicated to the highly-qualified, resulting in a drop of demand for workplaces involving trivial tasks, suited for the less qualified personnel. Thus, workplace polarization occurs on all professional levels creating a significant imbalance in favor of the highly-qualified. In this context, less qualified personnel (or non-qualified) will face multiple adversities when searching for a workplace in the future as well as confronting the permanent threat of unemployment (statistics indicating that non-qualified or less qualified personnel have approximatively twice the unemployment rate when comparing them to the highly-qualified category). In the same context, Romania's economy is also in a constant and dynamic change process, generated both by the transition to a market-based economy and by the effects of globalization. To further understand the labor market mechanisms, this paper analyses a series of statistical indicators obtained*

*either through direct measurement such as: labor resources, active population, working population, number of employees, number of unemployed, either through calculation of derived indicators such as: activity rate, employment rate, unemployment rate, etc.*

**Keywords:** *labour market, employment, segmentation, unemployment*

**JEL Classification:** *E24, J21, J60*

## 1. Introduction

The new wave of technological advances will change the current work profile requirements (European Commission, 2010a). Some employees will either requalify for the existing industries, or change their activity domain completely. Robotics, artificial intelligence, virtual reality, infographics, etc. can generate new, more performant and better paying workplaces, but it's the companies' and the schools' obligation to provide cyber-physical-human systems that can bring satisfying results to employees and young adults. Technological evolution, scientific research and the digital revolution that take place today demand implementation of methods to "catch up with the train" of such fast changes.

Regardless of age and gender, the ability to be versatile to change must be permanently kept at maximum level (European Commission, 2010b). The actual issue is not the sudden lack of workplaces, but the sudden increase of unfilled workplaces due to lack of required skills.

The workplaces that will never disappear will be the creative ones. "Creative" does not only refer to arts or advertising. It can also mean what a man can do more, compared to a "machine". To be creative in one's workplace or business means to create authentic and sellable services and goods. It means adding extra value compared to what can a machine offer, even if said machine has artificial intelligence, or compared to a competitor from the same market or workplace (European Commission, 2014).

"Safe" workplaces, in which one can "retire" after doing the same thing for over 40 years will no longer exist. The moment an economy branch, company, or workplace suffers transformation is the moment when every single employee must either adapt to change and requalify for a new workplace, or begin a new activity or business.

Those who will find a new workplace or start a business the easiest will be those who have the most complex set of skills and knowledge, from a wide variety of domains. Interdisciplinarity will be mandatory in the most advanced domains, such as: biotechnology, nanotechnology, biochemistry, etc. but also

in the most common workplaces, which will require IT knowledge, knowing a foreign language or marketing.

Schools and companies are not the only agents that should collaborate closely to provide specific skill preparations required in today's labor market. Young adults must also collaborate and understand the future economy challenges while cultivating their own required skillsets.

All these aspects will bring a certain structural change in the labor market on all economies.

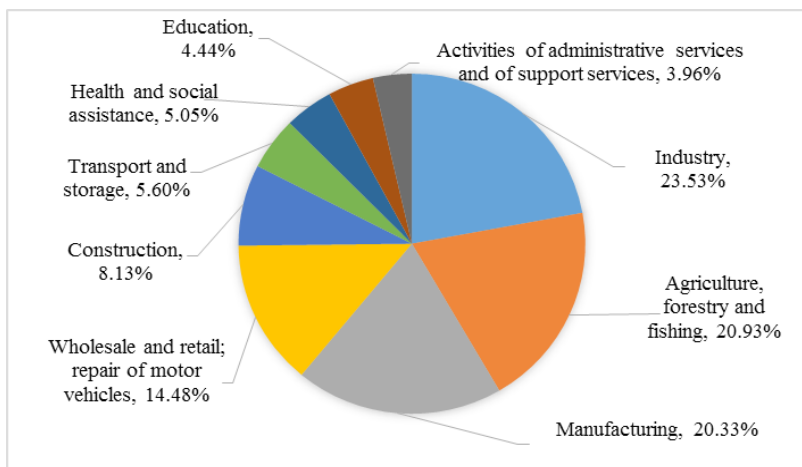
## 2. Romanian labor market short characterization

As of 1st of July 2018, out of 19.472 million Romanian residents, only 8.696 million people belonged to the civilian active population, since it dropped down by 454 thousand people in 2018 compared to 2008.

In terms of gross activity rate, there has been an increase during the years 2008-2016, by 2.2 percentage points (from 42.6% in 2008 to 44.8% in 2018). However, in 2018, it has dropped by 0.1 percentage points compared to the gross activity rate of 2014.

The number of employees of the civilian active population by categories of activities of the national economy (Figure 1) has dropped, starting from year 2012, in Agriculture, Forestry and Fishing (by 3.88 percentage points in 2018 compared to 2012).

Figure 1. Civil economically active population by some categories of activities of the national economy, 2018



Data source: TEMPO-online database, 2017

Between 2007-2011, the active population has dropped in all the national economy's sectors, except: "Administrative and Support Service Activities", which registered an ascending trend during the entire period of analysis, "Information and Communication", "Hotels and Restaurants", "Transportation and Storage" and "Wholesale and Retail: Repair of Motor Vehicles and Motorcycles". The year 2016 is the first year when the weight of the manufacturing workforce population surpasses agriculture (TEMPO-online database, 2017).

The labor resources registered in 2018 have dropped by 1.58 percentage points compared to 2017. By 2010, at national level, labor force resources were reduced by 978 thousand people, compared to 1990. Starting with 2010, labor force resources decreased annually, until 2016, when there was a slight increase, followed by a descending trend.

During the period 2008-2018, the employment rate had a fluctuating evolution, but from 2014 it started to increase slightly, reaching in 2018 at 64.8%. Similar to previous years, the employment rate was higher in men in 2018 (73.52%, compared to 56.2% in women). From a residence point of view, the employment rate was higher in the urban area (65.8%, compared to 63.5% in the rural area).

The highest level of employment rate for the elderly was registered among the graduates of higher education (87.2%). 66.2% of the people with a medium level of education and only 42.0% of those with a low level of education were employed.

*Employees*, increasing in 2018 compared to the previous year (+112.35 thousand people), still held the highest share (74.8%) in the total working population. In 2018, self-employed and unpaid family workers represented 24.16% of the working population (The Romania Statistical Yearbook, 2008-2017).

Skilled Agriculture, Forestry and Fishery workers accounted for 18.22% of the total employed population. Significant weights in the total working population also had skilled workers (16.75%), specialists in various fields of activity (15.37%) and workers in the services field (15.09%).

Of the total employed personnel, 20.9% worked in the agriculture sector and 31.25% in manufacturing. In the non-agricultural activities, 6497 thousand people were employed, significant shares among them being held by those who worked in Manufacturing (20.3%), Commerce (14.5%) and Construction (8.12%). Compared to 2017, in 2018, the number of people who worked in Mining and Quarrying (-18.8 thousand people), Construction (-7.6 thousand people), Wholesale and Retail, Repair of motor vehicles and motorcycles (-7.1

thousand people) has decreased. The most significant increases compared to the previous year were registered in Agriculture, Forestry and Fishing (+17.8 thousand people), Professional, Scientific and Technical activities (+13.2 thousand people), Hotels and Restaurants (+11.3 thousand people), Information and Communication (+4 thousand people) and Public Administration and Defense (+2.5 thousand people).

In 2018, the average effective working week for main activities was 38.7 hours per week; 131 thousand people also performed secondary activities, working on average 12.8 hours per week.

The economic advance of 2018 was accompanied by the increase in the number of employees: 5.7 million employees were registered at the end of the year, which is 2.47% more than in 2017. After 10 years since the economic crisis, the labour market in Romania has barely managed to recover lost workplaces, starting with 2018, the number of employees being slightly higher than in 2008. According to the data provided by the National Institute of Statistics, the number of unemployed in Romania decreased by 69653 people in 2018 compared to 2017, and the unemployment rate by 0.8 percentage points.

With an unemployment rate of 4.3% in 2018 (down from the previous year: 5.1% in 2017), Romania occupies a favorable position among the states of the European Union, ranking sixth place in the list of the states with the lowest unemployment rates, a better position in terms of unemployment than countries such as France, Poland or even the Netherlands.

By sex, the difference between the two unemployment rates was 1.2 percentage points (4.86% for men versus 3.6% for women), and in terms of residences of 1.2 percentage points (5.0% in rural versus 3.8% in urban). In 2018, the unemployment rate also had the highest level (16.2%) among young people (15-24 years).

Unemployment has affected the graduates of low and medium education to a greater extent, for which the unemployment rate was 5.8% and 4.3% respectively. The unemployment rate was only 2.1% for people with higher education. The rate of long-term unemployment (in unemployment of one year and over) was 1.8%, and the incidence of long-term unemployment (the share of unemployed persons for one year and over in total unemployment) was 44.1%.

For young people (age 15-24), the long-term unemployment rate (in unemployment for six months and over) was 9.3%, and the incidence of long-term unemployment among youth was 57.2%.

According to a study made by The Employment Workforce Perspective (Manpower Employment Outlook Survey Q1, 2016), there are two industries that could do the most employment, namely: the Trade and Manufacturing sectors. The development of the trade sector is strongly influenced by the increase of consumption at national level. The fact that a similar evolution is expected also in the manufacturing industry is a good sign, but the profile of the companies that will make such jobs should be noted. Thus, one has to take into account the fact that, for example, the automotive sector and those companies that make assembly, they execute operations that in the production chain are considered as basic and implicitly have a low added value, which limits the positive impact on the economy. Even if the increase in the number of employees is socially beneficial, these two sectors often employ unskilled labor and the wages are at the minimum wage in the economy.

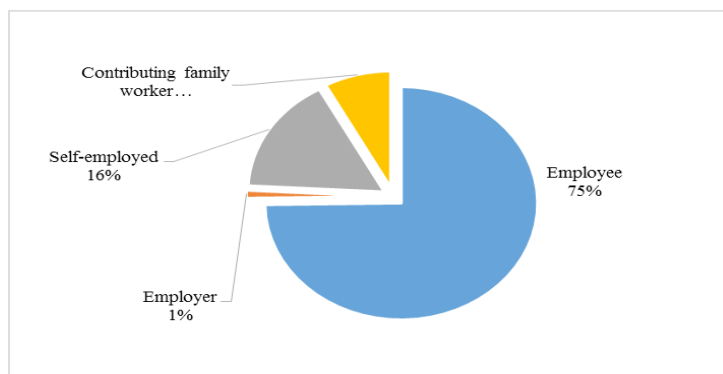
As in previous years, the incidence of atypical work (fixed-term and/or part-time contracts, self-employed work from an economic point of view) continued its upward trend (Eurostat statistics, 2015).

Official statistics indicate an unusually low number of employees with fixed-term and/or part-time employment contracts in Romania, but a detailed analysis shows that the difference between the number of active employees and the number of individual active contracts has increased between December 2017 - December 2018 from 14.3% of the total number of contracts to 14.9%. Therefore, at the end of 2018, the approximately 5.07 million active employees registered by the Labor Inspection corresponded to about 5.88 million contracts. The difference can only be explained by the high incidence of atypical employment contracts.

Regarding the newly created jobs, according to the estimates made by Guga et al. (2019), over 25% of the concluded individual employment contracts were part-time, with an equivalent share having also the fixed-term contracts. In the study published by Trif et al. (2016) there is a highlight on the relatively high incidence of fixed-term employment contracts in sectors such as the construction of the auto industry.

In addition to the atypical work with a contract of employment, the self-employed work continues to weigh heavily on the Romanian labor market. Thus, according to the statistical data of the National Institute of Statistics, in 2018, employees represented only 74.7% of the employed population, 16.25% of the employees having the status of self-employed workers, Figure 2 (TEMPO-online database, 2017).

Figure 2. Structure of the employed population, according to professional status, 2018



Data source: TEMPO-online database, 2017

It is important to note that this structure of employment is not entirely due to high incidence of self-employment in agriculture, as it is also found in non-agricultural sectors. It is natural to consider that a good part of these self-employed workers are in fact self-employed workers, not so strictly from a fiscal point of view, as the Romanian legislation does at present, but, more generally, from the economic point of view. Self-employed workers are less well paid, more vulnerable to job security and weaker to abuse protection than employees are, while having far fewer means to defend their interests (Guga, 2016). These vulnerabilities are also important for employees, since, as in the case of those who work with fixed-term or part-time employment contracts, the precariousness of self-employed work is an indirect source of vulnerability for all participants in the labor market, especially through the pressure it exerts on the wages and working conditions of the employees hired through indefinite-term contracts.

If at the end of 2015 the workforce deficit issue was rarely mentioned on the working agendas of the empowered organizations of their respective domains, at the beginning of 2017 it became, along with the minimum wage issue, the main topic in the debates on the labor market in Romania (National Strategy for Sustainable Development of Romania Horizons 2013-2020-2030; National Strategy for Employment 2014-2020).

Employers, especially in particular, are more and more concerned about the low availability of workforce, especially when it comes to future investments. The problem must be analyzed both from a quantitative point of view (the effective reduction of workforce supply) and from a qualitative point of view (the so-called “skills shortage”, the gap between the qualifications required by the employers and those actually owned by those who are looking for a job).



If, starting with 2012, there was an increase in the vacancy rate (or demand in the labor market), in 2018, however, the level was much lower than the period before the crisis (1.24% in 2018, compared to 1.94% in 2008).

The fact that unemployment has not decreased at an equally rapid pace during the same period is not necessarily surprising, especially if one considers the proliferation of fixed-term contracts, part-time and temporary work (Figure 3).

Figure 3. Beveridge curve for Romania, 1<sup>st</sup> trimester/2015-1<sup>st</sup> trimester/2019



Data source: TEMPO-online database (2017), author's work

In 2018, however, there is a decrease in unemployment, coupled with the slight increase in the vacancy rate.

### 3. Conclusion

What is typical for the national labor market is the fact that, in 2018, labor resources registered a slight reduction compared to 2015, and the employment rate had a fluctuating evolution, but from 2013 it started to increase slightly, reaching at 64.8% in 2018.

In 2016, the highest level of employment rate for the elderly was among the graduates of higher education (87.2%). 66.2% of the people with a medium level of education and only 41.0% of those with a low level of education were employed.

With an unemployment rate of 4.3% in 2018 (down from the previous year: 5.1% in 2017), Romania occupies a favorable position among the states



of the European Union, ranking sixth in the list to the states with the lowest unemployment rates, a better position in terms of unemployment than countries such as France, Poland or even the Netherlands.

In addition to the atypical work with an employment contract, the self-employed work continues to weigh heavily on the Romanian labor market.

By sex, the difference between the two unemployed rates was 1.2 percentage points (4.86% for men compared to 3.6% for women) and by residence area, 1.2 percentage points (5.0% in the rural versus 3.8% in urban).

The fact that unemployment has not decreased at an equally rapid pace during the same period is not necessarily surprising, especially if we consider the proliferation of fixed-term contracts, part-time and temporary work. In 2018, however, there is a decrease in unemployment, coupled with the slight increase in the vacancy rate. From both points of view, however, the labor market in Romania still seems to be far from the situation in 2008.

The depletion of the labor force pool with adequate qualifications, if possible to discuss such topics would be due to the combination between the increase in demand (following the investments) and the decrease in supply (due to the aging and migration of the skilled workers).

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