

## STRUCTURAL INSIGHTS AND RECENT TRENDS FOR THE ROMANIAN LABOUR MARKET

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### Abstract

*The aim of the present paper is to highlight the recent trends and structural insights for the Romanian labour market. The analysis reveals how gender and educational level influences these trends and how they contribute to the overall structural differences. The differences revealed in between the groups determined by gender and education level, are further disseminated in order to propose adequate economic and social active labour market policies for Romania.*

**Keywords:** employment rate; labour market; gender; education; early school leaving

### 1. Introduction

The economic crisis from 2008 and the relative low recovery until 2017 seem to generate a greater dispersion of labour market performance and social situations in the member states of European Union. Analysing indicators such as employment rate or gross per capita income, the crisis has led to a certain divergence. Although this discrepancy has been compensated in the post-economic recovery, there is no strong evidence of a converging trend that captures all aspects.

The economic crisis is the main cause of the slowdown in the EU labour market convergence, but also of the existing increased social tensions (European Commission, 2018a).

The labour market reflects the way in which the human capital resources are allocated by sectors and level of educational qualification. Thus, the state of the labour market is characterized by the relations between the demand for labour, the degree of employment and the degree of vacancy. The complexity of the labour market is captured by its main features such as the employment, unemployment, and the number of jobs and vacancies.

Recent studies confirm that in Romania it is necessary to find innovative solutions to facilitate the employment of youth and reduce their unemployment. Using a comparative

analysis between Romania and Europe in the period 2004-2014, Rimbu et al. (2016) points out that the measures adopted in Romania have made small progress, highlighting the fact that young people usually work in areas below their level of competence and knowledge. The results of actions and measures undertaken by Romania to combat youth unemployment are presented in the Commission's latest Country Report (2018b) on the Youth Guarantee Implementation Plan 2017-2020 (Government of Romania, 2017). Thus, the situation of young people remains a challenge of the Romanian labour market, due to the high unemployment rate among young people and inactive young people.

Another challenge is the early school dropout rate given by early leavers from education and training indicator. According to the study conducted by the National Alliance of Student Organizations in Romania (ANOSR, 2012) on 24 public universities in Romania, 25% of the students have a full-time or a part-time job, the results being influenced by the study program. This aspect is adding to the causes of tertiary education dropout. World Economic Forum (2018) places Romania on the 52<sup>nd</sup> of 140<sup>th</sup> places based on the aggregate index of competitiveness. It also reveals weaknesses for the financial system, innovative capacities and for the access to education. Romania has to focus the efforts on the determinants that give rise to increased competitiveness. To achieve such state, it is mandatory to access new industrial technologies and to extend and improve educational competences among the employees in order to create innovative products with high added value on the international market.

## **2. Data sets**

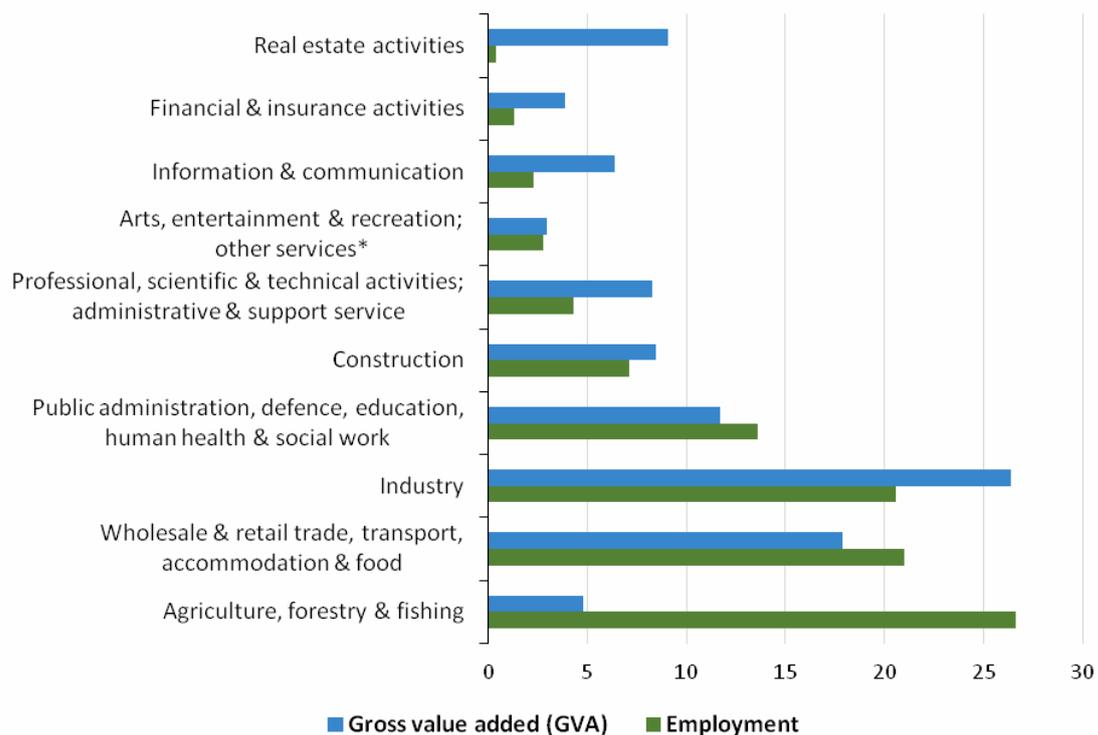
Considering the specifics of the labour market in Romania and in the EU as well as the recorded trends for the last ten years, the period for which the economic indicators were selected is between 2012 and 2017. Such period is of interest also because it follows the economic crisis and shows up its short-term impacts.

The selected data originate from official sources and were obtained from the public data sets and from specialised publications from Eurostat. To estimate the employment level on the labour market, quantitative indicators are used that reflect the trends and employment opportunities. Further the correlation between employment rate and the level of education is analysed.

Statistical indicators are used to reveal the unemployment level, such as the absolute value of unemployed, and the relative unemployment rate. Thus, the level of unemployment is given by the number of unemployed according to International Bureau of Labour.

## **3. Findings and trends in Romania**

Looking at the results given by of gross value added and employment, the highest percent (26.6% ) of the Romanian work is engaged in the agriculture, forestry and fishing sector. Figure 1 presents the overall status for these findings grouped by economic activity as a percent of total in Romania in 2016.



**Figure 1.** GVA and employment by economic activity as % of total in Romania, 2016

**Data source:** Eurostat, author modelling

Agriculture sector is important for Romania because of the fact that engages a varied structure of population and due to its strategic and critical importance. With all of these, this sector has one of the lowest values of GVA in Romania (4.8%), but greater than 1.5% EU value.

Lower values than in the agriculture sector, for this indicator are observed in financial insurance (3.8%) and arts and entertainment sectors (3%), but in the last two cases the value of employment rate is seen to be the smallest (1.3% and 2.8%). An interesting observation is that only 0.4% of the Romanian population is engaged in working in the real estate sector, but this sector gives a gross value added rank of 9.1%. In 2016 the industrial sector that engages a share of 26.6% of total employment is accounted for the highest gross value added of 26.4%.

Table 1 presents the trends in employment for Romania between 2012 and 2017. Firstly, one may remark the positive trend of annual growth of employment after 2013 in EU27, fact that is also seen in the number of employees. For Romania a positive evolution of annual growth is seen in 2014 and 2017. In 2015 and 2016 it is seen a decrease in the number of employed people.

The employment rate of 20-64 years-old people is growing both in EU27 and Romania in the analysed period. Trends suggest also that the employment rate of 20-64 years-old women is still less than the employment rate for the same age of men, between 2012 and 2017. Looking on the annual growth of the labour productivity it is found to be higher in Romania than in EU27, both for per person and per hour worked. For 2017 it is found that in Romania labour productivity growth per hour work is higher than the labour productivity measured in per person employed.

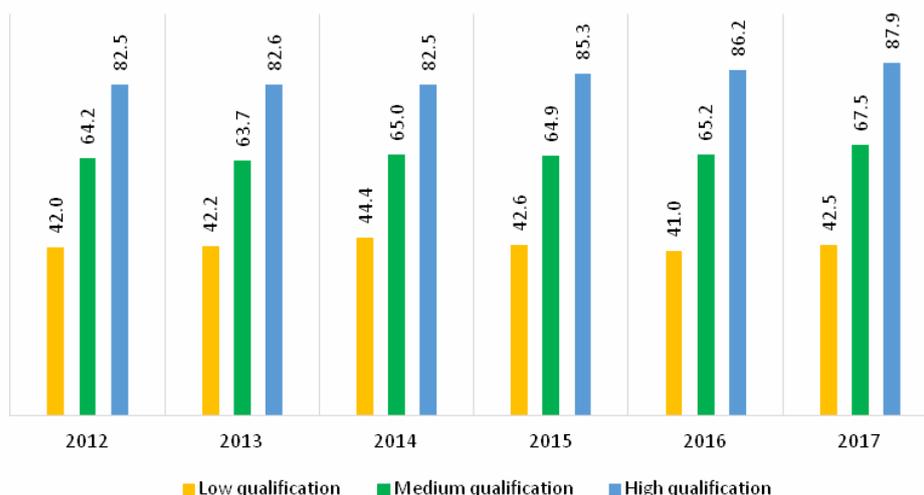
**Table 1.** Trends in employment, employment rates and labour productivity between 2012-2017

	2012	2013	2014	2015	2016	2017
<b>Employment</b>						
<b>UE 27</b>						
annual growth	-0.4	-0.3	1.0	1.1	1.3	1.6
number of employed	225047	224443	226797	229328	232232	235912
<b>Romania</b>						
annual growth	-4.8	-0.9	0.8	-1.3	-1.1	2.8
number of employed	8645	8569	8635	8526	8430	8668
<b>Employment rate (total, 20-64)</b>						
<b>UE 27</b>						
rate (men, 20-64)	74.6	74.3	75.0	75.9	76.9	78.0
rate (women, 20-64)	62.4	62.6	63.5	64.3	65.3	66.5
<b>Romania</b>						
rate (men, 20-64)	72.8	72.8	74.0	74.7	75.0	77.3
rate (women, 20-64)	56.7	56.5	57.3	57.2	57.4	60.2
<b>Labour productivity (annual growth)</b>						
<b>UE 27</b>						
per person employed	-0.1	0.4	0.7	1.3	0.8	0.9
per hour worked	1.1	1.1	0.7	1.2	0.6	1.2
<b>Romania</b>						
per person employed	7.2	4.4	2.6	5.2	6.0	4.3
per hour worked	12.1	4.7	3.4	5.6	4.6	5.1

**Data source:** Eurostat, author modelling

**Notes:** UE27 = without United Kingdom

In order to investigate trends in employment rate by education level, Figure 2 highlights the main categories of education (see ISCED 11 classification). It can be observed that only for 2016 and 2017 there is an increase of employment rate in all three educational levels. In 2017 the employment rates for people with medium qualification increases with 2.3 percentage points, the highest increase of the three levels of educational attainment (1.7 percentage points for high qualification and 1.5 percentage points for low qualification attainment).

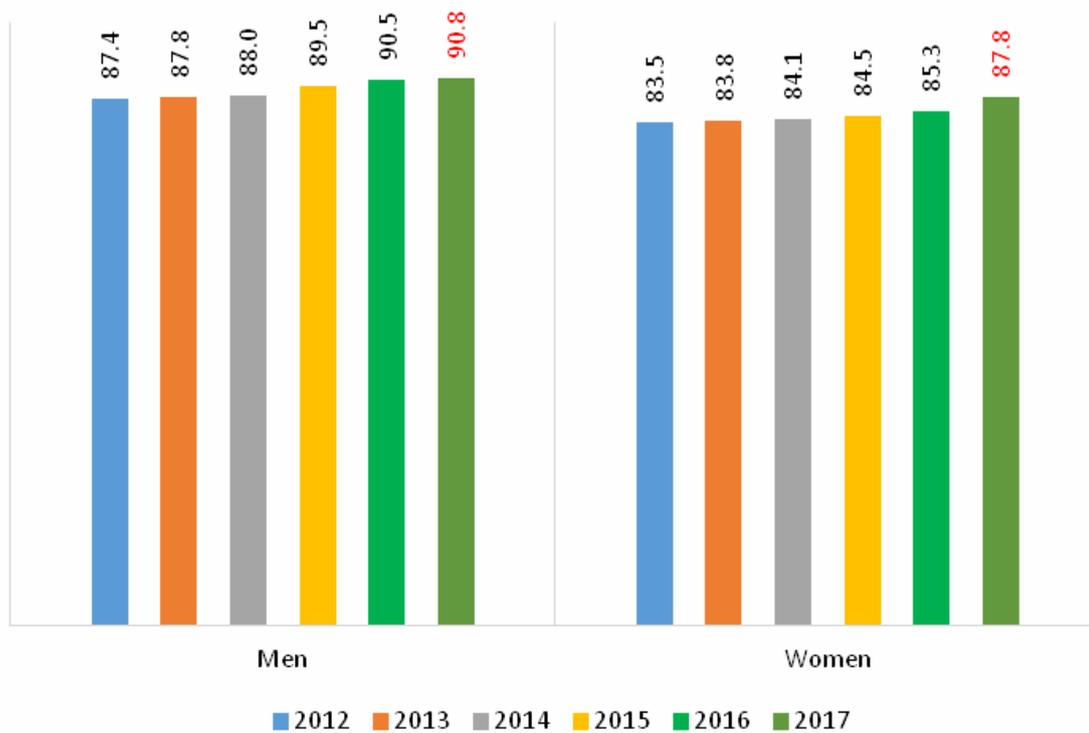


**Figure 2.** Trends in employment rate of 15-64 year-olds by education level, 2012-2017, %

**Data source:** Eurostat, ifsa\_ergaed, author modelling

**Notes:** ISCED11 = International Standard Classification of Education - United Nations Classification (United Nations Educational, Scientific and Cultural Organization (UNESCO)); High qualification = ISCED11 levels 5-8, Medium qualification = ISCED11 levels 3 and 4, Low qualification = ISCED11 levels 0-2.

Figure 3 shows the differences in employment rates of men and women by higher levels of educational attainment between 2012 and 2017 in Romania. Over the analysed period the employment rate of both, men and women rises. The graphic suggests that employment rate of 25-64 year-olds men has a more pronounced growth than the one of women. Also, it is observed that the highest value of the employment rate is achieved in 2017.



**Figure 3.** Employment rate of 25-64 year-olds with tertiary education, by gender in Romania, %

Data source: Eurostat, Ifsa\_ergaed, author modelling

Table 2 presents the evolution different forms of unemployment rates between 2012 and 2017. The total unemployment rate of 25-64 year-olds individuals is lower in Romania than in EU27, following a descending trend from 2013. If in Europe the differences in unemployment rate for men and women stand on the same level, in Romania the unemployment rate for men is higher. In 2016 and 2017 the difference in unemployment rate between men and women maintains on 1.6 percent points. Analysing the unemployment rate of 15 to 24 year-old youth, it is found to be higher in Romania (18.3% in 2017) than in EU27 (16.8% in 2017) over the analysed period. Otherwise, a descendent trend is observed from 2014. The long-term and very long-term unemployment rates in Romania are under the EU27 average. Both have a declining trend after 2014, with the observation that the long-term unemployment rate maintains higher than the very long-term unemployment rate.

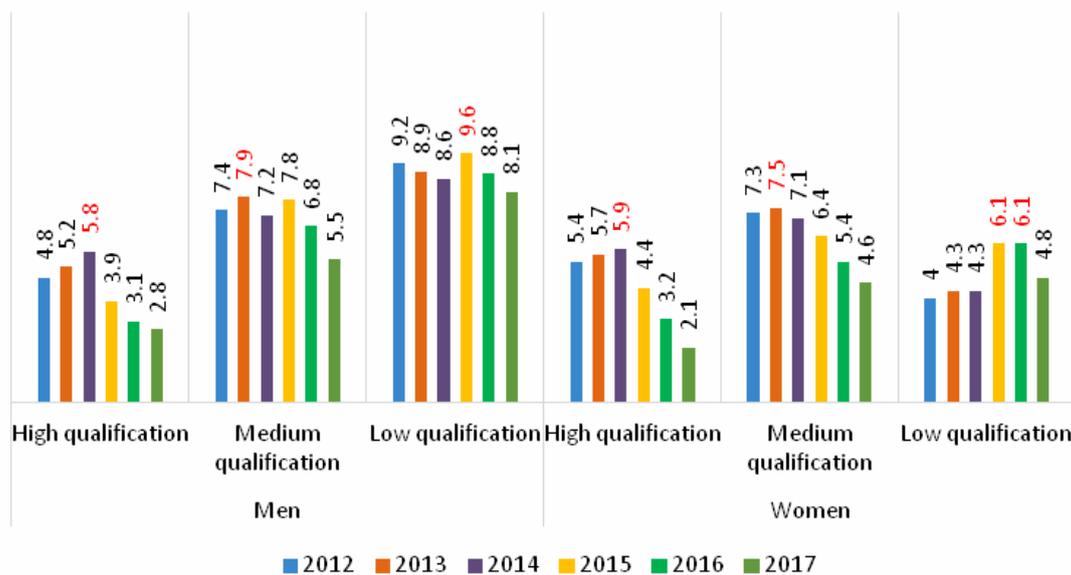
**Table 2.** Trends in unemployment rates by age and gender between 2012 and 2017 in Romania

	2012	2013	2014	2015	2016	2017
<b>Unemployment</b>						
<i>rate (total, 15-74 years)</i>						
<b>Romania</b>	6.8	7.1	6.8	6.8	5.9	4.9
<b>UE 27</b>	10.4	10.8	10.2	9.4	8.6	7.6
<i>rate (men, 15-74 years)</i>						
<b>Romania</b>	7.4	7.7	7.3	7.5	6.6	5.6
<b>UE 27</b>	10.4	10.8	10.1	9.3	8.4	7.4
<i>rate (women, 15-74 years)</i>						
<b>Romania</b>	6.1	6.3	6.1	5.8	5.0	4.0
<b>UE 27</b>	10.5	10.9	10.3	9.5	8.8	7.9
<i>rate youth (15-24 years)</i>						
<b>Romania</b>	22.6	23.7	24.0	21.7	20.6	18.3
<b>UE 27</b>	23.2	23.7	22.2	20.3	18.7	16.8
<i>long-term unemployment rate</i>						
<b>Romania</b>	3.0	3.2	2.8	3.0	3.0	2.0
<b>UE 27</b>	4.6	5.1	5.0	4.5	4.0	3.4
<i>very long-term unemployment rate</i>						
<b>Romania</b>	1.4	1.5	1.3	1.4	1.3	1.0
<b>UE 27</b>	2.5	2.9	3.0	2.8	2.5	2.1
<i>number of unemployed (thousands)</i>						
<b>Romania</b>	627.2	653.0	628.7	623.9	529.9	449.3
<b>UE 27</b>	25122.1	26146.3	24833.1	22903.7	20941.2	18780.1

**Data source:** Eurostat, lfsa\_urgan, une\_ltu\_a, lfsa\_ugan; author modelling

**Notes:** UE27 = without United Kingdom

Figure 4 show the evolution of the unemployment rate by educational level and gender in Romania.



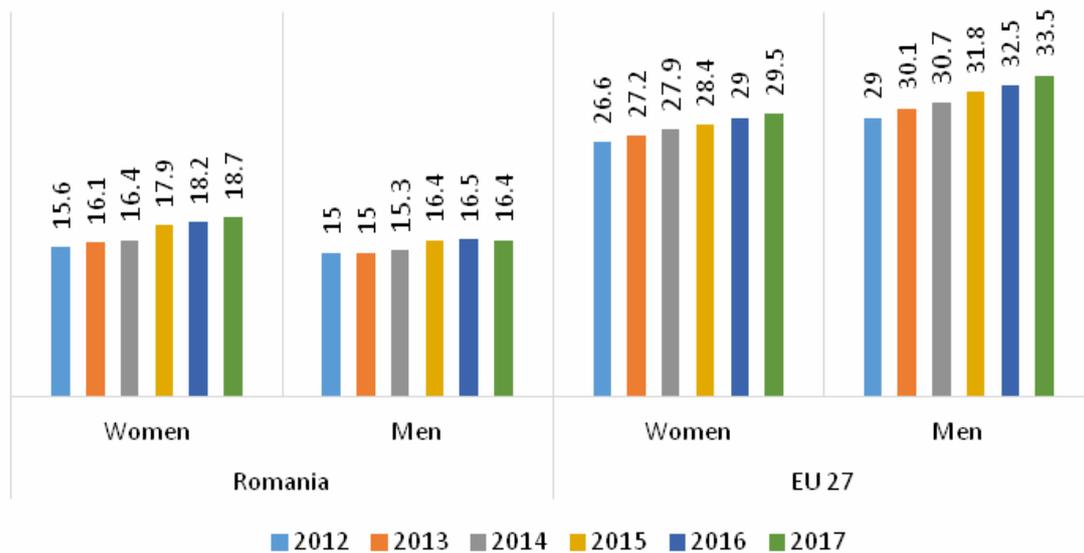
**Figure 4.** Unemployment rate by education level and gender, 2012-2017, %

**Data source:** Eurostat, lfsa\_urgaed, for 15-74 year-olds, author modelling

The unemployment rate among the high qualified men is greater than the one for women only in 2017. In the previous years the difference between unemployment rate of

men and women is negative, suggesting that unemployment rate is higher among women. In 2014 it was recorded the highest value of unemployment rate for 15-74 year-olds, both men and women with high qualification, around 5.8% and 5.9%. Looking at unemployment rate of 15-74 year-olds individuals with medium qualifications it is observed a decreasing trend, but the difference between men and women is still positive, favouring women (over one percent point in 2015 and 2016). Unemployment rate among men with low qualification is higher than women with the same level of education. The differences observed between men and women with low qualification are the highest in the three education categories. Also, is observed an increase of these differences in 2017, compared to 2016. Overall, unemployment rate for men and women of 15 to 74 years old is seen to be decreasing in 2017.

Figure 2 presents the percentage people of 25-64 years old with tertiary education, by gender in Romania, versus the values recorded in EU27.

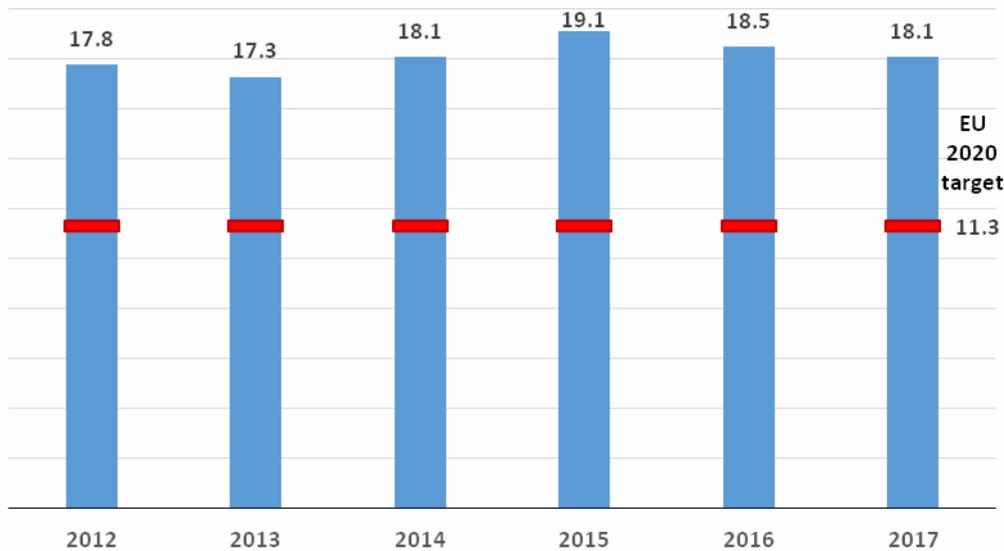


**Figure 5.** Men and women of 25-64 year-olds with tertiary education in Romania and EU27, %

Data source: Eurostat, edat\_lfse\_03, author modelling

The results show a reversed trend in Romania, compared to EU27 where the share of men aged between 25 to 64 years with tertiary education is higher than women. The overall share of people with tertiary education attainment is higher in EU27 compared to Romania. The main gender difference seen in the tertiary education attainment between Romania and EU27 is that women are better represented in this field in Romania as opposed to the situation seen in the average for EU27. Further, looking at the tertiary education attainment for men, the percentage for EU27 is higher with 17.1% than in Romania

In Figure 6 it is presented the evolution of the rate of early leavers from education and training, compared with the EU 2020 target of 11.3%. A slow decrease is seen between 2012 and 2017 but Romania still has to reduce the early leaver's rate with 6.8 percentage points until 2020.



**Figure 6.** Early leavers from education and training rate between 2012 and 2017, Romania, %

**Data source:** Eurostat, t2020\_40, author modelling

**Notes:** % of the young population between the ages of 18-24 with at most lower secondary level completed and not in any other form of education in the last 4 weeks prior to the AMIGO survey.

For the target to be attained, the percentage of early school leavers should be below the threshold for Romania and covered by the Europe 2020 strategy.

Reintegration of unemployed people with low qualification is a necessity for Romania in the next period, as low qualification labour may be suitably engaged in building road infrastructure and utilities. Also, an improvement in employment rate of those people with low qualification is mandatory as there are many deficiencies in the above stated necessities. In the current economic situation, active labour market policies can help people who become unemployed to find another job before completely disconnecting from the labour market. Thus, they contribute in reducing the possibility of becoming long-term unemployed, and in the reintegration of the long-term unemployed and of people situated outside the labour force.

#### 4. Conclusions

Improving active labour market policies can play an important role in facilitating and supporting structural integration. At the same time, it is essential that these measures be designed in a way with local specific economic circumstances of the labour market. Nowadays, improving strategies on active labour market policies are associated with works of Lars Calmfors (1994) and Richard Layard (Layard et al., 1991). The idea that training offered at work improves the skills of employees is in line with human capital theory (Mincer, 1962; Becker, 1964). In this regard, Ferreira et al. (2017) finds that such approaches improve the overall competences for most of the employees. On the other hand, the educational system in Romania depends mainly on public funds (2.72% as a percentage of GDP in 2015, according to Eurostat statistics). This suggests that redesigning the public education funding is needed to adapt the supply of skilled labour to its demand (Kupets, 2015). As a conse-

quence, lower education needs to be properly funded in order to reduce early dropouts and higher education must be directed to the necessities of the fast-changing economy within the global context. As Varly et al. (2014) points out that there is a small empirical correlation tendency between education spending and the quality of education, or even school participation. Such observation suggests that investment in education must be also correlated with the existing industrial necessities in order to maximize the integration within labour market, as the last is directly impacted by the demand within the global economy.

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