

ECONOMIC AND SOCIAL CHALLENGES IN A GLOBAL ENVIRONMENT. LABOUR MARKET CHANGES IN ROMANIA. FACTORS, CAUSES, ADJUSTMENT MECHANISMS

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***Abstract:** The reform of labour market and the modification of the human capital management model evolved unsteadily, much behind the demand from the economic and social environment. Labour market was pushed to a secondary plane, considering that the adjustment of the other markets would cause necessary changes for ensuring the functioning of the labour market.*

Now, Romania is involved in consolidating the market economy, which requires integrated procedures of dealing with the policies able to respond efficiently to challenges. Similarly to the economic reform, the changes in the labour market were gradual but there were no coherence and no correlation of the measures taken, which caused non-typical behaviours, often contrary to reforms.

***Key words:** Demographic Economics; Mobility, Unemployment and Vacancies; Labour Standards, national and international*

***JEL Classification:** J1, J3, J5, J6, J8, J18*

Introduction

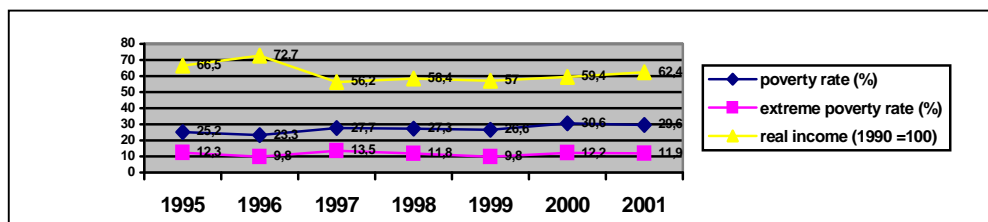
The year 1989 marked the beginning of radical changes in the labour market in Romania, that is, the transition from the communist regime based on extremely centralized economy to a system based on competitive market principles. From the principle of ensuring a job to everyone (full employment), neglectful of competitiveness, efficiency and career criteria, Romania gradually passed to a system of efficient allocation of labour resources, giving support to individual professional and individual development. The reform of labour market and the modification of the human capital management model evolved unsteadily, much behind the demand from the economic and social environment. Labour market was pushed to a secondary plane, considering that the adjustment of the other markets would cause necessary changes for ensuring the functioning of the labour market. While, from a legal perspective, the required institutions and adjustment mechanisms were created, as regards their efficient operation, there still is a need for fine but steady and sustainable adjustments.

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Now, Romania is involved in consolidating the market economy, which requires integrated procedures of dealing with the policies able to respond efficiently to challenges¹. Similarly to the economic reform, the chances in the labour market were gradual but there were no coherence and no correlation of the measures taken, which caused non-typical behaviours, often contrary to reforms. To them we should add two other factors for adjusting the reform pace and effectiveness: a) the Government's failure to take firm measures (under the trade unions pressure, concessions were made in carrying out the reform, along with exemptions, modifications, postponements, etc.); b) poor correlation of labour market measures with the evolution expected in economy – no clear prospect for the evolution of the economy and no correlation of educational offers with present and, especially, future demand for jobs.

In the beginning, Romania's transition was more difficult than that of other ex-socialist CEE countries (SNDERM, 2000). In 1989, the economy was almost fully owned by the state (the private sector represented 12.8% of the GDP), enterprises were often oversized and based on highly energy-intensive technologies and overemployment exceeded the labour requirements, on the average, by 20%. The cut in the flows to and from western countries – especially in technologies – caused by the policy of forced reimbursement in anticipation of the foreign debt in the 1980s, caused not only the rigidity of the economic structures and competitiveness distortion, but also the isolation from the dynamics of the European and world economic and social development.

Similarly to other transition countries, Romania's economy in the early stage (1990-2000) was characterized by a strong decline, destructuring, distortion of the employment structures, loss of foreign markets, parallel economy and significant diminution in living standard. We could also add increasing incidence of poverty.



Source: For poverty rate: CASPIS methodology; for real income: Statistical Yearbook of Romania 2005, INS.

Figure 1 - Real income and poverty rate, 1995-2001

A persistent high inflation rate, legislative volatility and small income were some of the main factors that hindered the economic revival. The investment rate was low because of the high risk existing in the Romanian business environment, affected by legislative and institutional incoherence and instability, inadequate functioning and low efficiency of the newly created institutions, bureaucracy and clientage, and growing unrecorded economy. A low internal saving rate and low foreign capital investment impeded the technological progress and, in fact, generated a low or superficial upgrading rate and, further, poor employment in all forms. The living standard depreciated continuously; Romania faced two

¹ Guvernul României, *Programul național de reforme* [National Programme for Reforms], 2007, p. 5.

periods of dramatic diminution in real income, 1991-1993 and 1997-2000 (Memorandum, 2005)².

Small incomes and persistent poverty caused the emergence of a dual labour market, in which agriculture was the “buffer” for the lay-offs from industry. Subsistence agriculture, temporary migration abroad for jobs and unrecorded economy explains most of the diminution to half of the number of employees without any correspondence to unemployment rate. For example, the average number of employees in 2000 as against 1990 diminished by 3.5 million, and the number of the recorded unemployed was a little above one million.

In 2000 a gradual process of economic revival began, along with privatisation and reform acceleration, so that the GDP growth was 32% in 2005. The 2004 Country Report pointed out that Romania fulfilled the criteria for a functional market economy and the GDP per capita for PPS was 32% of the EU25 average (Eurostat)³.

The recovery of the economic decline was gradual, achieving only partially an efficient allocation of resources by activity field able to induce performance, competitiveness and employment rise. The economy is still fragile, dependent on internal and external contingent factors, and even if in the last years the GDP growth was above the EU15 average it is not sustainable and efficient as regards the creation/renewal of jobs after the assimilation of technological progress and the expansion of higher education. Therefore, although in the last years we witness a long-term economic revival, the evolution of the labour market indicators is contradictory: unemployment diminishes, but also the number of employees diminishes, and the income dynamics, the wage policy and, recently, the introduction of a single tax rate are detrimental to the poor.

1. The evolution of labour force in Romania. Main characteristics and trends

The entire transition is characterized by the reduction of labour market in size accompanied by a higher flexibility, but in the context of an increasing quantitative and qualitative uncorrelation between labour supply and demand, on national level and, especially, on regional level. The low territorial mobility of labour force and households as well as the concentration of investments in urban areas with a high concentration of population produce strong imbalances on local labour markets, which stimulates the temporary external migration for jobs.

The active population of Romania decreased significantly due to a steep demographic decline, on one hand, and free movement of people and an increase in the average period of schooling in the initial education system, on the other hand. At the end of 2006, the active population was a little above 10 million people (10,041 according to AMIGO 2007), smaller by about 1.1 million as against 1991. The deficit caused by the population reduction in Romania by 1.62 million people (from 23.19 million in 1991 to only 21.57 million in 2006) is only partially found in the active population because of, among others, the increase in standard age of retirement to 65 years for men and 60 years for women (gradually up to 2014) as well as due to the increasing activity rate of the elderly, including those outside the work age (15-64 years).

² Common Memorandum on Social Inclusion, Romania, www.caspis.ro.

³ Eurostat News Release, 75/2005, <http://europa.eu.int/comm/eurostat>.

The decreasing participation in labour of the work age population was caused, soon after the Revolution, by overemployment, associated with the lack of prospects for effective and remunerative (re-) employment in national economy. *Non-correlation of labour supply and demand, low effectiveness of the professional reconversion programmes and significant diminution in real wage stimulated the employment in the unrecorded economy and illegal migration for jobs.* Therefore, employment evolved unsteadily in Romania in a general lowering trend, maintained even for several years of economic growth. According to the Workforce Balance, the lowest level was in 2004, that is, 8.238 million people, which represented a diminution of 2.6 million as against the 1990 level.

Table 1

**Civilian employed population by activities of the national economy,
at the NACE section level**

(thou. people at the end of the year)

Activity (NACE sections, rev. 1)	1990	1991	1999	2000	2004	2005
Total	10840	10786	8420	8629	8238	8390
Agriculture, hunting and forestry, fishing and fish farming	3144	3205	3469	3575	2638	2678
Industry (extractive, processing, electric and thermal power, gas and water)	4005	3803	2054	2004	2052	1973
Constructions	706	501	338	353	419	463
Trade	538	699	756	776	938	1038
Hotels and restaurants	186	213	100	93	133	133
Transport, storage and communications	667	594	405	419	404	418
Financial, banking and insurance activities	39	44	69	74	82	90
Real estate transactions and other services	388	421	238	271	383	386
Public administration and defence	88	99	141	147	159	173
Education	411	426	429	421	430	430
Health and social assistance	320	311	277	341	367	370
Other activities	348	470	144	155	233	238

Source: Labour Balance, at the end of the year.

In the national economy structure by activities, we notice the non-typical evolution of other economies. During the first ten years of transition, in the context of a relatively chaotic restructuring of the economy and diminishing employment in general, the labour force increased in the agricultural and fishing sectors by 431 thousand people. Employment in this sector increased from 29% in 1990 to 41.4% in 2000 owing to the restructuring and lay-offs from industry, and the reduction in employment in construction, transport, hotel and restaurant business, etc.

Table 2

**Employed population and GVA by main activities of the
national economy in 1990, 2000 and 2005**

- national economy = 100% -

Activity (NACE sections, rev. 1)	1990		2000		2005	
	Civilian employed population	GVA	Civilian employed population	GVA	Civilian employed population	GVA
Agriculture, hunting and forestry, fishing and fish farming	29.0	23.7	41.4	12.5	31.9	9.6
Industry (extractive, processing, elec- tric and thermal power, gas and water)	36.9	44.1	23.2	30.9	23.5	27.3
Constructions	6.5	5.8	4.1	5.5	5.5	7.2
Services	27.6	26.4	31.3	51.1	39.1	55.9

Source: Labour Balance – Employment at the end of the year and Statistical Yearbook for Gross Value Added (GVA).

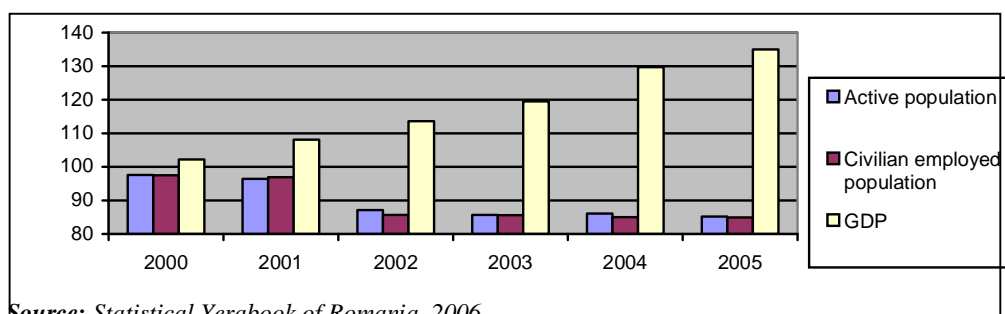
If we analyse the global efficiency of these structural changes, we should note that, in 1990, agriculture, which included 29% of the civilian employment population, contributed 23.7% to gross value added in the GDP, while, in 2004, with 41.4% of the employed population, it achieved only 12.5% of the GVA in the economy.

Industry, with the most significant employment diminution (from 36.9 to 23.2%), managed to use human resources more efficiently, and its contribution to GVA in the GDP diminished proportionally slower, that is, from 44.1% in 1990 to 30.9% in 2000. Even if employment in

agriculture began to diminish after that time, the inefficiency of this branch worsened, and the contribution to the GVA decreased below 10%, while employment was above 30%.

1.1. The structure of employed population and new jobs in the last years

The population participation in labour force diminished significantly over the entire transition period, including the period of economic revival after 1999. Economic growth, reflected by the positive dynamics of the GDP, was not accompanied by a higher rate of participation in labour or employment.



Source: Statistical Yearbook of Romania, 2006.

Figure 2 - Active population, employment and GDP evolution in the period 1999-2005 (1999=100%)

Considering Romania's total population of 21.62 million people, 45.5% were active and 3.2% were unemployed in 2005. By age group, 35-44-year-old people are best represented in the labour market (78.1% are employed), and the group with the greatest number of unemployed is that of young people, that is, 6.3% of all 15-24-year-old population. Persons over the legal retirement age continue to work in proportion of 14.6%, more males than females, especially from rural area (usually in agricultural activities).

Table 3

Population structure by participation in economic activity, age group, gender and region in 2005 (percentage)

Age group	Total population	Economically active persons			Economically inactive persons
		Total	Employed	ILO ¹⁾ unemployed	
Total	100.0	45.5	42.3	3.2	54.5
Under 15 years	100.0	-	-	-	100.0
15 - 64 years	100.0	62.4	57.7	4.7	37.6
Of which:					
15 - 24 years	100.0	31.9	25.6	6.3	68.1
25 - 34 years	100.0	78.7	72.8	5.9	21.3
35 - 44 years	100.0	83.0	78.1	4.9	17.0
45 - 54 years	100.0	73.0	69.1	3.9	27.0
55 - 64 years	100.0	40.4	39.4	1.0	59.6
65 years and over	100.0	14.6	14.6	-	85.4
Total males	100.0	51.5	47.5	4.0	48.5
Under 15 years	100.0	-	-	-	100.0
15 - 64 years	100.0	69.5	63.9	5.6	30.5
Of which:					
15 - 24 years	100.0	37.0	29.4	7.6	63.0
25 - 34 years	100.0	85.8	79.0	6.8	14.2
35 - 44 years	100.0	90.1	84.7	5.4	9.9
45 - 54 years	100.0	81.2	76.5	4.7	18.8

Age group	Total population	Economically active persons			Economically inactive persons
		Total	Employed	ILO ¹⁾ unemployed	
55 - 64 years	100.0	48.4	46.7	1.7	51.6
65 years and over	100.0	16.8	16.8	-	83.2
Total females	100.0	39.9	37.3	2.6	60.1
Under 15 years	100.0	-	-	-	100.0
15 - 64 years	100.0	55.3	51.5	3.8	44.7
<i>Of which:</i>					
15 - 24 years	100.0	26.5	21.6	4.9	73.5
25 - 34 years	100.0	71.2	66.2	5.0	28.8
35 - 44 years	100.0	75.8	71.4	4.4	24.2
45 - 54 years	100.0	65.2	62.1	3.1	34.8
55 - 64 years	100.0	33.5	33.1	0.4	66.5
65 years and over	100.0	13.0	13.0	-	87.0
Total Urban	100.0	45.2	41.2	4.0	54.8
Under 15 years	100.0	-	-	-	100.0
15 - 64 years	100.0	60.3	55.0	5.3	39.7
<i>Of which:</i>					
15- 24 years	100.0	25.4	18.7	6.7	74.6
25 - 34 years	100.0	80.8	73.8	7.0	19.2
35 - 44 years	100.0	84.3	78.8	5.5	15.7
45 - 54 years	100.0	72.5	68.0	4.5	27.5
55 - 64 years	100.0	26.2	24.9	1.3	73.8
65 years and over	100.0	1.9	1.9	-	98.1
Total Rural	100.0	45.9	43.5	2.4	54.1
Under 15 years	100.0	-	-	-	100.0
15 - 64 years	100.0	65.3	61.6	3.7	34.7
<i>Of which:</i>					
15 - 24 years	100.0	40.9	35.2	5.7	59.1
25 - 34 years	100.0	75.9	71.4	4.5	24.1
35 - 44 years	100.0	81.1	77.0	4.1	18.9
45 - 54 years	100.0	73.9	71.1	2.8	26.1
55 - 64 years	100.0	56.2	55.6	0.6	43.8
65 years and over	100.0	24.0	24.0	-	76.0

¹⁾ ILO = International Labour Office.

Source: Household Labour Survey (AMIGO), 2005.

As regards the participation in labour, we notice that the rates of participation diminished by 6 pp in 2005 as against 1999: in the last year of the period the activity rate was 62.4% and the employment rate was 57.5%. The 2006 dynamics was positive; the activity rate of the population of work age reached the highest level in the last five years, 63.7%, and the employment rate increased by 1.1 pp (i.e. 58.8%) against the previous year. But these rates were much lower than the EU ones, as the economic growth beginning in 2000 could not overcome the effects, 1997-2000 (SOP – HRD)⁴.

Table 4

**The participation of the population in labour,
by gender and region**

	1997	1998	1999	2000 ¹⁾	2001 ¹⁾	2002 ¹⁾	2003 ¹⁾	2004 ¹⁾	2005 ¹⁾
	<i>thousand people</i>								
Total active population	11756	11577	11566	11283	11151	10079	9915	9957	9851
<i>By region</i>									
Urban	5874	5751	5685	6089	5995	5525	5465	5471	5431
Rural	5882	5826	5881	5194	5156	4554	4450	4486	4420

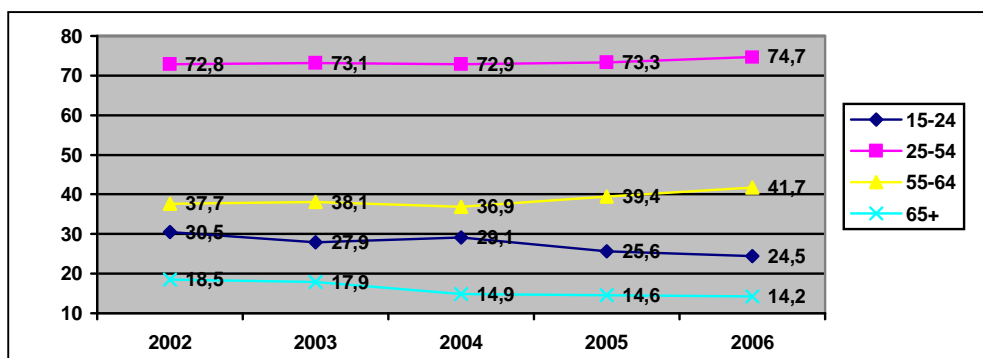
⁴ Government of Romania, MLFEO, Sectoral Operational Programme – Human Resource Development, 2007-2013, http://www.cpsc.ro/files/doc_membri/2007/POS%20DRU.pdf.

	1997	1998	1999	2000 ¹⁾	2001 ¹⁾	2002 ¹⁾	2003 ¹⁾	2004 ¹⁾	2005 ¹⁾
By region									
Males	6368	6295	6262	5348	5279	5188	5151	5423	5361
Females	5388	5282	5304	5935	5872	4891	4764	4534	4490
Total civilian employment	11050	10845	10776	10508	10440	9234	9223	9158	9147
By region									
Urban	5377	5220	5098	5633	5581	5031	5057	4980	5011
Rural	5673	5625	5678	4875	4859	4203	4166	4178	4136
By gender									
Males	6004	5885	5799	4756	4732	4607	4662	4906	4889
Females	5046	4960	4977	5752	5708	4627	4561	4252	4258
<i>per cent</i>									
Total activity rate	64.8 ²⁾	63.6 ²⁾	68.7 ³⁾	68.8 ³⁾	67.7 ³⁾	63.6 ³⁾	62.9 ³⁾	63.2 ³⁾	62.4 ³⁾
By region									
Urban	59.3	57.7	63.4	75.7	74.1	70.7	69.6	70.2	69.5
Rural	71.5	70.8	75.9	62.1	61.3	56.7	55.3	56.2	55.3
By gender									
Males	72.5	71.4	75.6	62.8	61.7	60.5	59.7	61.8	60.3
Females	57.7	56.3	61.8	76.7	75.6	67.8	66.0	65.1	65.3
Total employment rate	60.9 ²⁾	59.6 ²⁾	63.5 ³⁾	63.6 ³⁾	62.9 ³⁾	58.0 ³⁾	57.8 ³⁾	57.9 ³⁾	57.7 ³⁾
By region									
Urban	54.3	52.3	56.8	69.5	68.5	64.1	64.1	63.6	63.9
Rural	68.9	68.4	72.7	57.8	57.3	52.0	51.5	52.1	51.5
By gender									
Males	68.3	66.8	69.5	55.8	55.2	53.7	54.0	55.9	55.0
Females	54.0	52.9	57.5	73.8	73.1	63.7	62.9	60.6	61.6

Note: Since 2000, data are no longer comparable to previous series because of revised definitions: (1) since 2000, data have been extended on the basis of the results of the Population and Household Census of 18th March, 2002; (2) computation for population aged 15 and over; (3) computation for work-age population (15-64 years).

Source: Household Labour Survey (AMIGO).

As it has happened throughout the entire transition period these indicators are higher for males and people from rural area. The employment rate of young people (15-24 years) is on the decrease: 24.5% in 2006 (they usually extend their study and are often present in the unrecorded economy with temporary or part-time jobs). The employment rate of the elderly (55-64 years) increased slightly in 2004 and reached 41.7% in 2006, that is, below the 50% target for 2010, set at 8.3 pp in accordance with the Lisbon Strategy. They risk – unless included in anticipated retirement schemes (associated with collective lay-offs) – not to find a job, and consequently, they are maintained (up to the legal retirement age) by the family of they work in the unrecorded economy.



Source: Employment and unemployment, NIS Press Release No. 140/30th July, 2007.

Figure 3 - Employment rate (15 years and over) by age group

The employment rate is higher for higher education graduates (86.1% in 2006), and lower by about 20% for medium (64.9%) and low (39.6%) education levels. Young people and urban population are better trained. It is worth mentioning that urban people over 55 years who keep their job are higher education (29%) and medium education (57%) graduates, while the younger age groups next to them are higher education graduates in proportion of 21% (45-54 years) and 19% (35-44). In the last years, there was a decreasing trend in the number of low educated people in all employed population, along with an increasing number of higher education graduates. Economic restructuring also determined a replacement of low qualified jobs, especially in urban area and in the most dynamic economic activities, and an improvement of labour content, abilities and qualifications, mostly in the IT&C field for a wide range of jobs, including those requiring a relatively low training.

In the context of a continuous diminution in the absolute rate of employment, major structural changes occur in the main activity sectors. According to the AMIGO Survey, we come in 10 years - from close proportions of the productive and service sectors, in 1996, and from an agricultural sector of 39% in all employment – to close proportions of agriculture and productive sector (industry and constructions), i.e. 30%, and of the service sector on the increase, in absolute terms (by over 600,000 people) and relative terms (by 8.8 pp). Annual oscillations are significant and reflect two stages of the economic reform. The first stage lasts up to 2000, when the flows of employed population move from the industrial sector (undergoing privatisation and restructuring on a large scale) to the agricultural sector, as the dismissed people returned to areas from which they migrated during the forced industrialisation in the 1980's. In this period, the service sector could additionally absorb only 0.3 pp of all employed population. After 2000, when the economy witnessed a growing trend in the GDP, the employment by branches and sectors changed along with a diminution in the agricultural sector, which continued to be inefficient and unable to get reformed to a significant extent in accordance with modern principles of generating competitiveness (technologies, management, exploitations, efficient in relation to size and manner of organizing the productive flows, etc). The productive sector and services hold an increasing share of about 5 pp and 8 pp, respectively, in all employment.

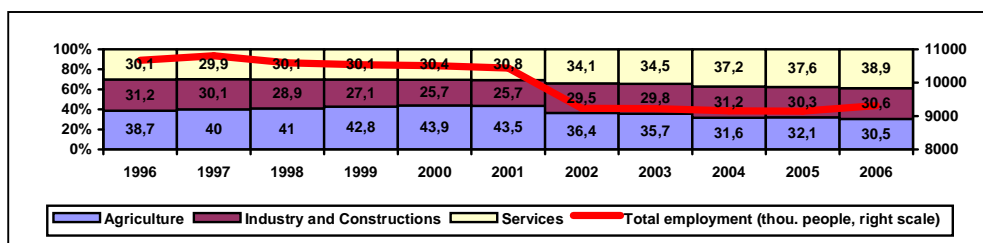


Figure 4 - Occupational structure by main activities, 1996-2006

The employment in services in 2006 consisted of trade, representing 11.3% of all national employment, transport and public administration, each representing a little above 5%, and education, 4.4%. If compared to the previous year, the last (they hoped) of the long decreasing employment period, in 2006 there was a significant rise in the number of people employed in real estate transactions, hiring activities and services rendered to companies (+21.5%), in constructions (+10.1%), as well as in transport, storage and communications (+9.3%). There was a decrease in the hotel and restaurant industry

(-5.1%), in agriculture (-3.4%), in public administration (-2.4%) and in education (0.5%). The evolution was caused by both the changes in real economy (e.g. the real estate market increases significantly and this trend is expected to go on in the next years; tourism business is in a crisis, as it is unable to provide attractive packages of services, to ensure a high quality of services and to promote an efficient management) and the administrative measures having effect on employment (education reform and transition to the Bologna System, 3-2-3, restructuring of public administration, etc.).

If we analyse the flows of employed population by activities during the two sub-periods of transition, i.e. the first decade and the last five years, then we are able to reveal different evolutions by activities, although there is no close relation between the specific reforms in the field and the dynamics of employment.

Table 5

**Flows of employed population in national economy activities
in the transition period**

(thou. people, end of the year)

Activity (NACE sections, Rev.1)	1990	2000	2005	2005-1990	2000-1990	2005-2000
Total	10840	8629	9147	-1693	-2211	518
Agriculture, hunting and forestry, fishing and fish farming	3144	3570	2939	-205	426	-631
Industry (extractive, processing, electric and thermal power, gas and water)	4005	2004	2269	-1736	-2001	265
Constructions	706	353	507	-199	-353	154
Trade	538	776	968	430	238	192
Hotels and restaurants	186	93	151	-35	-93	58
Transport, storage and communications	764	419	450	-314	-345	31
Financial, banking and insurance activities	39	74	86	47	35	12
Real estate intermediation and other services	388	271	232	-156	-117	-39
Public administration and defence	88	147	520	432	59	373
Education	411	421	413	2	10	-8
Health and social assistance	320	341	353	33	21	12
Other activities	251	160	259	8	-91	99

Source: Labour Balance – End of the year, Statistical Yearbook of Romania, 1991 and 2006.

While the total number of employed people diminished by 1.7 million, in the first sub-period there was a decrease of over two million, followed in the second sub-period by a recovery of little over five thousand (equivalent full time). In trade, employment increased by almost 80%, in financial activities 2.2 times (in both activities, the increase was higher in the first part of the interval), and in public administration and defence almost 5 times (mainly in the second sub-period). In health and social assistance, there was an increase of only 10% and in trade, below 1%. The most significant diminution occurred in industry, that is, over 2 million people in the first decade of transition, while the increase that followed amounted to only 265 thousand. Although the development of the construction, transport and communication sectors was significant over the entire period, they faced a major reduction in personnel, caused only to a small extent by the creation/destruction of jobs. The most important factors that caused certain trades and professions to diminish in personnel was the temporary migration abroad for jobs.

Of all employed population, wage labour represented 75.24% in 1990 and only 54.7% in 2001. Afterwards, the rate of wage labour increased up to 64.7% in 2005, but the number of employees continued to diminish in 2004. The number of workers diminished in absolute and

relative terms as against employees: while in 1990 workers represented over three quarters of all employees, in 2005 the proportion diminished by 21 pp, and their number by 3.8 million, which illustrates the direction and dynamics of wage labour restructuring in the economy. The number of clerks, of people with multiple, not only executive, responsibilities increased, the productive structures was modernized, and upgrading diminished gradually the physical work. The number of females in all workers diminished, for example, from 2638 thousand in 1995 to 2281 thousand in 2005, but the proportion of females in all employees increased from 43.6% to 47.6% in the same period. The case of female workers was similar, but their proportion in all workers increased two times less, from 37.7% in 1995 (1577 thousand) to 39.7% (1095 thousand). It shows that males prefer the status of employed person than wage earner, which increases the proportion of self-employed and employers.

Table 6

**The number of employees,
1990-2005 (thou.)**

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Total employed of which:	8156	7574	6888	6672	6438	6160	5939	5597	5369	4761	4623	4619	4568	4591	4469	4559
Number of workers	6427	5825	5183	4875	4590	4292	4093	3807	3526	3056	2874	2894	2810	2734	2668	2635
% of the total	78.8	76.9	75.2	73.1	71.3	69.7	68.9	68.0	65.7	64.2	62.2	62.7	61.5	59.6	59.7	57.8

Source: *Statistical Yearbook of Romania, Time series, 1990-2005.*

The private wage labour occurs especially in the processing industry, constructions, hotels and restaurants, fishing and fish farming (over 85%, up to 100%), as well in financial intermediation and real estate transactions (73-77%). In sectors such as trade, hotels and restaurants, public administration, education and health, the number of female employees is higher (and in the processing industry, there are more female workers than male workers).

Table 7

**Employees per activities in the national economy,
31st December, 2005**

Activities) (NACE Sections, rev.1	Total employees					of which: workers				
	Total	of which: majority private property		of total:		Total	of which: majority private property		of total:	
		pers.	pers.	% in total	males		Females	pers.	pers.	% in total
Total	4790	3239	67.62	2509	2281	2760	2205	79.89	1665	1095
<i>Agriculture, hunting and forestry</i>	140	90	64.29	105	35	96	69	71.88	75	21
<i>Fishing and fish farming</i>	3	3	100.00	3	*)	2	2	100.00	2	*)
Industry	1729	1493	86.35	934	795	1376	1197	86.99	745	631
<i>Extractive</i>	106	55	51.89	90	16	85	42	49.41	76	9
<i>Processing</i>	1487	1421	95.56	743	744	1194	1143	95.73	590	604
<i>Electric and thermal power, gas and water</i>	136	17	12.50	101	35	97	12	12.37	79	18
Constructions	360	320	88.89	310	50	274	243	88.69	260	14
Trade	736	730	99.18	349	387	409	406	99.27	197	212
Hotels and restaurants	92	88	95.65	34	58	61	58	95.08	22	39
Transport, storage and communications	335	159	47.46	238	97	237	99	41.77	185	52
Financial intermediation	83	61	73.49	25	58	4	3	75.00	2	2
Real estate intermediation and other services	258	199	77.13	164	94	102	87	85.29	76	26
Public administration and defence	173	-	-	72	101	16	-	-	12	4
Education	403	8	1.99	126	277	43	2	4.65	19	24

Activities) (NACE Sections, rev.1	Total employees					of which: workers						
	Total	of which: majority private property			of total:		Total	of which: majority private property			of total:	
		pers.	pers.	% in total	males	Females		pers.	pers.	% in total	males	females
<i>Health and social assistance</i>	340	17	5.00	72	268	65	3	4.62	22	43		
<i>Other activities</i>	138	71	51.45	77	61	75	36	48.00	48	27		

Source: *Statistical Yearbook of Romania, 2006, p. 129.*

The employment structure by professional status underwent major changes only in the first years after the Revolution, when the reorganisation of state-owned enterprises (Law 31/1991) and the recognition of private property stimulated the establishment of private companies and independent activities. The fragile economic environment, the unorganized market, inflation and the absence of coherent strategies for the development of the economy by fields of activity caused several changes in status, especially for young job seekers able to meet their professional and financial expectations. The AMIGO survey data – available since 1995 – show an unsteady growth in the proportion of employees and employers and a gradual diminution in other categories: self-employed, family workers or members of an agricultural association or cooperative farm. The self-employed males are three times as much, and in the total number of people pertaining to this category they amounted to 1792.8 thousand in 2005, that is, 19.6% in the total employment. Non-paid family workers represent a significant proportion, 13.9% of the total; many of them are found in agriculture.

Table 8

**The structure of occupations in accordance with
the professional status (per cent)**

	1995	2000	2004	2005
Total	100.0	100.0	100.0	100.0
Employee	60.7	56.1	65.9	64.7
Employer	1.4	1.1	1.7	1.7
Self-employed	22.4	23.1	18.4	19.6
Non-paid family worker	14.6	19.3	13.9	13.9
Member of an agricultural association or cooperative farm	0.9	0.4	0.1	0.1
Females				
Total	46.0	46.4	45.6	45.2
Employee	24.6	24.9	30.1	29.5
Employer	0.4	0.3	0.4	0.4
Self-employed	9.7	7.5	5.3	5.7
Non-paid family worker	10.9	13.6	9.7	9.6
Member of an agricultural association or cooperative farm	0.4	0.1	0.1	0.0

Source: *Household Labour Survey (AMIGO).*

Most of the self-employed work in agriculture: 1517 thousand in 2005. Fewer self-employed work within other activities: 86 thousand in constructions, 74 thousand in trade, 29 thousand in the processing industry, and 25 thousand in transport and telecommunications. While their proportion in agriculture is more than half of the employed population, it is under 17% in constructions and 7.6% in trade. The case of non-paid family workers is similar: of 1271 thousand in 2005, 1234 thousand worked in agriculture and 16 thousand in trade. The non-wage employed population contributes voluntarily to social funds and, usually, insurance

is at the legally-accepted minimum level, that is, minimum wage. Therefore, over one-third of the employed partially or totally avoid the social insurance system and 13.9% do not earn personal income and are financially dependent on the family.

Table 9

**The structure of occupations by national economy activities,
according to the professional status, 2005**

Activity (NACE Sections, rev. 1)	Total employed (thou.)	of which, according to occupational status (%):				
		Employee	Employer	Self- employed	Non-paid family worker	Member of an agricultural association or cooperative farm
Total	9147	64.7	1.7	19.6	13.9	0.1
<i>Agriculture, hunting and forestry</i>	2939	6.0	0.2	51.6	42.0	0.2
<i>Fishing and fish farming</i>	¹⁾	65.6	6.4	28.0	-	-
Industry	2269	97.4	1.0	1.3	0.3	-
<i>Extractive</i>	119	99.3	0.2	0.4	0.1	-
<i>Processing</i>	1960	97.1	1.1	1.5	0.3	-
<i>Electric and thermal power, gas and water</i>	190	99.8	0.2	-	-	-
<i>Constructions</i>	507	80.2	2.0	17.0	0.7	0.1
<i>Trade</i>	968	82.2	8.4	7.6	1.7	0.1
<i>Hotels and restaurants</i>	151	92.8	4.8	1.6	0.8	-
<i>Transport, storage and communications</i>	450	92.5	1.9	5.5	0.1	-
<i>Financial intermediation</i>	86	98.8	0.2	1.0	-	-
<i>Real estate intermediation and other services</i>	232	92.4	3.5	3.9	0.1	0.1
<i>Public administration and defence</i>	520	100.0	-	-	-	-
<i>Education</i>	413	99.5	0.2	0.3	-	-
<i>Health and social assistance</i>	353	97.6	1.1	1.2	0.1	-
<i>Other activities</i>	255	78.1	2.2	17.8	1.5	0.4

¹⁾ The weighted data are not reliable because of the small number of observed cases.

Source: Household Labour Survey (AMIGO), 2005.

An important aspect that could define the medium-term evolution of the occupation structure by professional status is the degree of professional training of the employed population. As the education level decreases, also the employment level decreases. If compared to 1995, there is an increase in the proportion of population having higher education by 4.4 pp, secondary education by 4.6 pp, and vocational education by 4.3 pp. At the same time, the proportion of employed people having primary education or no education diminished almost two times, mainly because of retirements and longer average schooling of the young generations. It is worth mentioning that the interest in education and vocational training is higher with female employed population, especially in higher education, which exceeds the male proportion by 8 pp.

Table 10

Occupation structure by education level (per cent)

	1995	1996	2000	2001	2002	2003	2004	2005
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Tertiary education	8.2	9.0	9.1	9.4	10.4	10.4	12.1	12.6
Post-high school specialisation or foremen's school	5.5	4.9	4.4	4.5	4.8	4.3	4.8	4.8
High school	26.1	31.0	29.1	29.1	30.3	30.5	30.6	30.7
Vocational school, complementary school or apprenticeship	21.2	22.0	21.6	22.3	24.2	24.7	25.3	25.5
Secondary school	20.8	19.6	21.6	21.2	20.6	21.2	18.8	18.6
Primary school or no schooling	18.2	13.5	14.2	13.5	9.7	8.9	8.4	7.8
<i>Of which, females:</i>								
Total	46.0	43.8	46.4	46.5	45.5	45.2	45.6	45.2
Tertiary education	3.3	3.9	4.0	4.2	4.7	4.9	5.7	6.1
Post-high school specialisation or foremen's school	2.0	1.9	1.8	2.0	2.2	2.0	2.3	2.2
High school	13.7	16.1	15.4	15.4	15.6	15.6	15.8	15.7
Vocational school, complementary school or apprenticeship	5.6	5.7	6.2	6.4	7.0	7.3	7.7	7.8
Secondary school	10.6	9.0	10.8	10.7	10.5	10.5	9.4	9.1
Primary school or no schooling	10.8	7.2	8.2	7.8	5.5	4.9	4.7	4.3

Source: Household Labour Survey (AMIGO).

In 2005, about 17% of the employed population completed post-high school and university studies and about two-thirds completed high-school and vocational studies and one quarter, primary studies. By age group, we notice a shift from an employed population that completed mostly medium and lower studies, specific to the pre-transition period, to a population that is better and better educated.

As against 1995, the proportion of higher education graduates in total employed population increased by 3 pp, while the growth of mature age groups of 25-34 years and 35-44 years was 6 pp and 2 pp, respectively.

Table 11

Occupation structure by education level and age group, in 2005

Education level	Total employed	Of which, at work age					65 years and over	
		Total 15-64 years	Age groups (years)					
			15-24	25-34	35-44	45-54		55-64
Total (thou. people)	9147	8683	858	2523	2328	2104	870	464
Total (per cent)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Tertiary education	12.6	13.2	4.7	16.4	12.9	14.0	11.1	1.7
Post-high school specialisation or foremen's school	4.8	5.0	2.6	5.1	4.1	6.3	6.1	0.9
High-school	30.7	32.2	28.7	36.5	43.6	25.3	9.6	2.2
Vocational education, complementary education or apprenticeship	25.5	26.7	27.3	25.5	27.8	30.6	17.1	4.3
Secondary school	18.6	18.0	30.4	14.2	10.1	20.0	33.1	29.6
Primary education or no schooling	7.8	4.9	6.3	2.3	1.5	3.8	23.0	61.3

Education level	Total employed	Of which, at work age						65 years and over
		Total 15-64 years	Age groups (years)					
<i>Of which, females:</i>								
Total	45.2	44.8	41.3	44.5	45.4	46.0	44.7	52.7
Tertiary education	6.1	6.4	2.6	8.5	6.4	6.5	3.8	0.4
Post-high school specialisation or foremen's school	2.2	2.4	1.7	3.2	1.7	2.5	2.0	0.2
High-school	15.7	16.5	14.2	17.6	23.0	14.0	4.5	0.7
Vocational education, complementary education or apprenticeship	7.8	8.1	9.1	8.2	8.9	9.1	2.7	0.6
Secondary school	9.1	8.9	12.0	6.3	4.8	11.9	17.1	13.0
Primary education or no schooling	4.3	2.5	1.7	0.7	0.6	2.0	14.6	37.8

Source: *Statistical Yearbook of Romania, 2006, p. 117.*

In the early part of 2007, the trend of the last years continued. The highest rate of employment of work age people was characteristic of university graduates: 85% in the first quarter of 2007. At the same time, 63.1% of medium education graduates and only 37.6% of low education graduates were employed.

Work time and part-time work

The new labour code ensures more flexible labour relations. The full-time employed population represents the majority of all employed population in Romania, and the proportions of males and females are almost equal. In the period 2002-2005, the proportion of part-time employed population diminished; less in male population (0.7 pp) as against female population (2.3 pp). If compared to EU25, where the proportion of part-time female employees is almost four times higher, in Romania the proportions of males and females is almost equal, which indicates a low utilisation of flexible work time programmes for female population. The almost equal proportions of males and females in part-time employment show that the male population carries out additional jobs in order to increase the family budget.

Table 12
Employed population by work time
(% of all employed population)

	1999	2000	2001	2002	2003	2004	2005 RO	2005 EU25	2005 EU15
Total									
- full time	84.3	83.7	83.6	88.4	88.6	89.4	89.8	-	-
- part-time	15.7	16.3	16.4	11.6	11.4	10.6	10.2	18.4	20.3
Males									
- full time	86.5	85.7	85.3	89.4	89.2	89.9	90.1	-	-
- part-time	13.5	14.3	14.7	10.6	10.8	10.1	9.9	7.4	7.7
Females									
- full time	81.8	81.4	81.6	87.2	87.8	88.8	89.5	-	-
- part-time	18.2	18.6	18.4	12.8	12.2	11.2	10.5	32.4	36.3

Source for EU25, EU15 and NMS10: Eurostat, New Cronos.

Source for Romania: NIS, Labour Survey, annual average data; 2002-2005 data were weighted in accordance with the 2002 Population and Household Census, taken from SOP-HRD, p. 175.

In 2006, the effective average work week for the main job consisted of 39.8 hours and for the secondary job, 14.4 hours. As a mean of both jobs (main and secondary), the effective average time exceeded the legal time of 40 hours by only 0.2 hours a week. In 2007 (1st quarter), the effective average work week decreased from 39.6 hours to 39.2 hours for the main job and to 13.4 hours for the secondary job. Of all employment, the part-time work in the 1st quarter of 2007 was 9.1% (0.5% below the 2006 level); as for employees, it was 0.5%, as against 0.7% in the previous year.

Unemployment is decreasing in Romania

The latest Eurostat data⁵ confirm the future lowering trend in the unemployment rate in Romania. At a rate of 6.9% in July 2007, that is, a little above the EU 27 average (6.8%), Romania is the ninth among the countries with the highest unemployment in the European Union. A future diminution of the ILO unemployment rate to 6.47% is estimated by 2010, that is, by 0.5 pp as against 2005, and also a diminution in the differences between urban area (higher, at present) and rural area, until their equalization on the same time horizon.

The National Agency for Employment (NAE) pointed out that the unemployment rate, computed as a ratio of the number of the unemployed to active population, diminished in July 2007 to 3.8%, from 5% in the same month of 2006. The number of the unemployed diminished in the same period from 446,798 to 343,163.⁶

Table 13

Evolution of the monthly unemployment rate (per cent)

	01	02	03	04	05	06	07	08	09	10	11	12	Annual average
1991	-	0.6	0.8	1.1	1.4	1.8	1.9	2.1	2.3	2.3	2.4	3.0	1.8
1992	3.5	3.9	4.4	3.9	4.1	4.5	4.8	5.9	6.7	7.4	7.9	8.2	5.4
1993	8.3	9.0	9.3	9.2	9.1	9.1	9.1	8.9	9.1	9.3	9.6	10.4	9.2
1994	11.0	11.4	11.5	11.3	11.2	10.8	10.7	10.5	10.6	10.8	10.8	10.9	11.0
1995	11.0	11.1	10.9	10.5	10.3	9.9	9.7	9.5	9.2	9.0	8.8	9.5	10.0
1996	9.9	10.1	9.8	8.8	8.2	7.6	7.0	6.6	6.3	6.3	6.1	6.6	7.8
1997	7.0	7.5	7.5	7.3	7.1	7.3	7.2	7.1	7.2	7.6	8.1	8.9	7.5
1998	9.3	9.7	9.6	9.4	9.2	8.9	8.8	8.7	8.7	9.0	9.5	10.4	9.3
1999	11.2	12.0	12.0	11.7	11.5	11.4	11.3	10.9	10.9	10.8	11.1	11.8	11.4
2000	12.3	12.5	12.2	11.9	11.5	11.2	10.8	10.5	10.2	10.2	10.3	10.5	11.2
2001	10.7	10.7	10.3	9.8	9.2	8.7	8.3	8.0	7.8	7.7	8.0	8.8	9.0
2002	12.7	13.5	13.4	11.4	10.5	9.9	9.2	8.7	8.4	8.2	8.1	8.4	10.2
2003	8.6	8.8	8.6	8.0	7.6	7.3	7.2	6.8	6.7	7.0	7.2	7.4	7.6
2004	7.7	7.8	7.8	7.4	6.9	6.6	6.3	6.2	6.1	6.1	6.2	6.3	6.8
2005	6.4	6.3	6.1	5.8	5.6	5.6	5.6	5.7	5.6	5.7	5.7	5.9	5.8

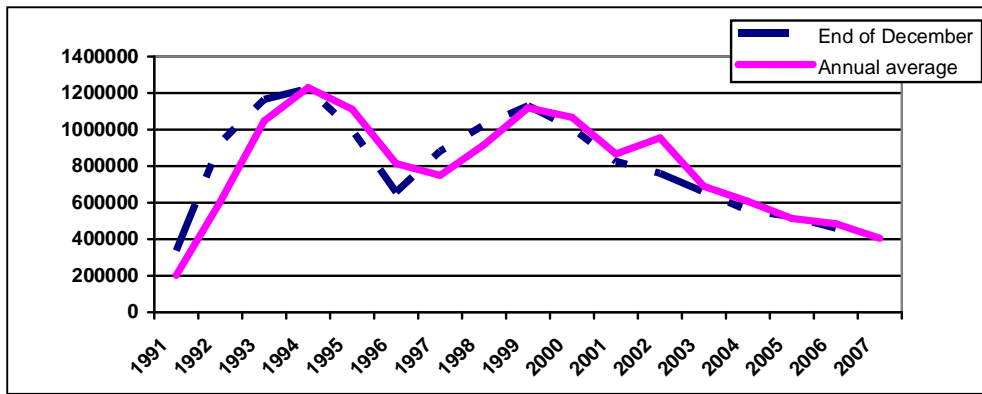
⁵ According to Eurostat, which is based on the ILO methodology and harmonizes the collected data to ensure the comparability of EU member states, unemployment in Romania is higher than that mentioned by the Romanian authorities; <http://www.jobiz.ro/2007/09/01/rata-somajului-din-Romania-se-mentine-peste-media-uniunii-europene/>.

⁶ The NAE uses data collected from labour offices of the districts; <http://www.jobiz.ro/2007/09/01/rata-somajului-din-Romania-se-mentine-peste-media-uniunii-europene/>.

2006	6.1	6.2	6.1	5.8	5.4	5.2	5.0	5.0	4.9	5.1	5.1	5.2	5.4
2007	5.4	5.2	4.9	4.5	4.1	4.0	3.8						4.6

Source: The 1991-2006 unemployment rates are computed and communicated by the NIS; http://www.anofm.ro/statistica/evolutia_ratei_somajului_1991_2006.htm.

Unemployment evolved inconstantly and reached two digits in 1994-95 and again in 1999-2002, when the restructuring of large companies intensified and important money compensations were offered. By number, unemployment exceeded 1.2 million on the average in 1994 and 1.1 million in 1999. After 2001, the continuous diminution in unemployment, in relative and absolute terms, brought us closer to an annual average number of the unemployed of about 400 thousand a month.



Source: The rates of unemployment for 1991-2006 are recomputed and communicated by the NIS (http://www.anofm.ro/statistica/evolutia_ratei_somajului_1991_2006.htm).

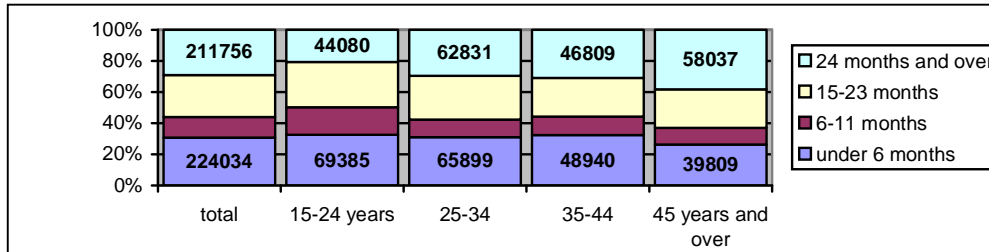
Figure 5 - Total number of the recorded unemployed

After 2003, the annual average approaches the December values, which reflects a diminution in the amplitude of seasonal fluctuations.

The unemployment rate of females was lower than the rate of males, by 2.1 pp (6.1% as against 8.2%, on the average) in 2006. There are differences of about 3 pp in the average either; urban unemployment rate is higher (8.5% as against 5.6%). We find high unemployment rates in the Districts of Vaslui (11.2%, on the average, in 2006), Mehedinți (9.1%), Gorj and Ialomița (8.7%) and Teleorman (8.2%). By region, there is an unemployment rate above the average in the South-East and South Regions, and the lower levels occur in the Bucharest Area and the North-West Region.

Young people of 15-24 years are confronted with a higher incidence of unemployment: 21% in 2006. The unemployment rate of higher education graduates is lower (3.8%), while that of secondary school graduates was twice as much (7.8% as against 7.6%).

The average unemployment time was the same in 2006, i.e. 17.2 months; higher for males from rural area. By age group, it varies between 14.2% for the 15-24-year-old group, 16-18% for the 25-44-year-old group and over 20% for people of 45 years and over. As an absolute number, in 2006 the greatest number of unemployed people was found in urban area: the unemployed for less than six months, aged 24-35, followed by the unemployed for 24 months and over, of the same age group. The smallest number occurred in rural area with people aged 25-34 and males aged 35-44 unemployed for 6-11 months.

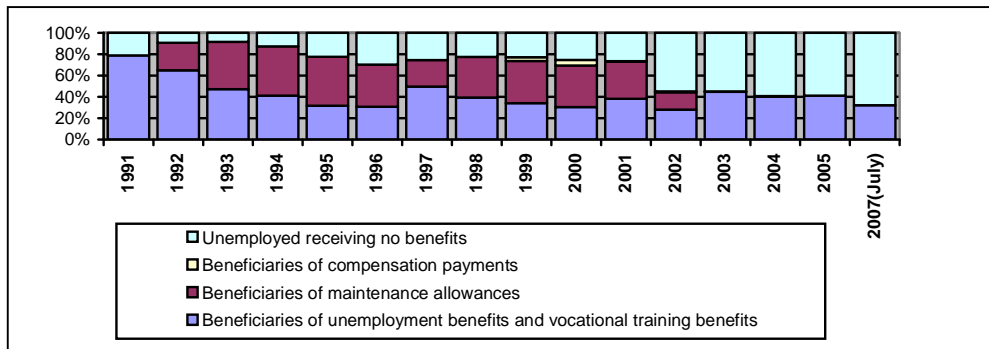


Source: National Institute of Statistics, Press Release, No. 147/2007, p. 15.

Figure 6 - The structure of the ILO unemployed by unemployment period and age

The unemployed aged 45 and over are in the worst situation, since the proportion of the unemployed over 24 months is higher (38.3%).

Long unemployment still is an issue of great concern to labour policy-makers. The ILO long unemployment rate was the same in 2006, i.e. 4.1%. The incidence of ILO long unemployment⁷ was 56.1%; higher in rural area (57.5%) and for males (57.4%). Also, the highest incidence occurs in the 15-24-year-old group, as it reaches 2/3 of the total.⁸



Note: In 2005, the professional integration aid was replaced with the unemployment benefit (unemployed with no work experience), according to Article 40 of Law 76/2002 regarding the unemployment insurance and employment stimulation. In 2005, the support allowance was eliminated.

Source: Statistical Yearbook of Romania 2006, NIS and Statistics of unrecorded unemployment on 31st July, 2007, ANOFM.

Figure 7 - The structure of the recorded unemployed by type of benefit, 2000-2005

The proportion of the unemployed receiving benefits diminished continuously, but in 2002 they were outnumbered by those who received no benefits. In 2007, only one-third of the unemployed received benefits.

On the average, the unemployment benefit was higher or very close to the net minimum wage in the economy in the period 1994-2001, which stimulated re-employment. After the amendments made to the Unemployment Law and the methodology for granting benefits, and the modification of the period of benefit-supported unemployment, the ratio of average aid to minimum wage diminished, but the interest of the unemployed in seeking a job increased. This diminution in the ratio caused also the increasing presence of the unemployed in the unrecorded market for increasing their incomes.

⁷ Measured as a proportion of the unemployed for one year and over in total unemployed.

⁸ Data presented by the NIS, Press Release No. 140/2007, p. 2.

Table 14

Unemployment benefits, 1991-2003

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
<i>Monthly average (RON per capita)</i>													
Unemployment benefit	3200	5960	16730	50834	63750	95000	248685	337228	495237	680484	966720	1311807	1714512
Professional integration benefit	-	-	-	35000	42544	54700	118935	186997	276580	381440	541807	712182	1076202
Support allowance	-	4022	9640	20385	39275	50500	97472	153117	222151	281326	344648	455030	547903
<i>Per cent of net minimum wage in the economy</i>													
Unemployment benefit	63.6	64.8	71.3	102.7	97.4	112.9	135.8	103.8	118.9	96.6	72.5	77.5	68.6
Professional integration benefit	-	-	-	70.7	65.0	65.0	65.0	57.5	66.4	54.2	40.6	42.1	43.0
Support allowance	-	43.8	41.1	41.2	60.0	60.0	53.2	47.1	53.3	40.0	25.8	26.9	21.9

Source: NIS: http://www.clubafaceri.ro/info_articole/337_13_protecție_socială/3189/13.1.2+Indemnizații+de+șomaj.html.

Two other aspects are important for explaining the size of unemployment in Romania, namely the structure of the unemployed and the unemployment inflows and outflows. In July 2007, the occupations with the greatest number of unemployed receiving benefits were the following: builders and steel structure workers, unskilled workers in the processing industry, shop assistants, workers on grinding and sharpening machines, engineers and mechanics of agricultural and industrial machines, agricultural workers, etc. This confirms the fact that the relatively low level of education is an obstacle to the insertion into the labour market. It is worth mentioning that, during the period under analysis, the flows to/from the unemployment insurance system exceeded the market inflows by 14%, which confirms the lowering trend of unemployment. Of all inflows, 61% were new recordings, most of them as non-paid unemployed (48% of all inflows), the rest being updatings of applications for jobs and reactivations of benefits. Of the outflows from the system, 41% were caused by re-employment and other 11% by the suspension of benefits (pensioning, emigration, death). Most outflows included unemployed without benefits (48%) who gave up the application for a job. As regards this category, the trend of outflows is rising, which shows a weak connection between labour supply and the demand from the business environment, the discouragement of the job seekers and the orientation to other solutions: unrecorded economy and migration for jobs.

The migration for jobs

Definitive external migration is characteristic of the 1990's (the emigration rate in 1990 was 4.18 per thousand people, in 2000, 0.66 per thousand people, and in 2005, 0.51 per thousand people). After a migration wave of over 90,000 people in 1990, defined as "repressed" migration of the communist period, the flows of emigrants diminished gradually to about 10,000 people a year. Also, the destination changed, from a prevailing migration to Germany and Austria (mostly for family re-unification and ethnical criteria) to a balanced migration to European countries and to the USA and Canada.

Definitive migration was exceeded in intensity by temporary external migration for economic reasons, without changing the residence. Most emigrants are of work age ranging between 26 and 35 years. The migration for work is quite common to secondary or low education graduates residing in the rural area or in small monoindustrial towns, where the restructuring and the privatisation caused a dramatic decrease in employment. The lack of

opportunities to find a job around the residence place and the low mobility for a job (together with the family) determined the people to temporarily travel for jobs to other countries, where wages were higher than those offered for similar jobs in Romania. Preponderantly, people from deprived regions in the north-east, south-east and south-west of the country travel abroad for jobs. The migration flows follow two important routes: on one hand, from Arad, Timiș, Caraș-Severin, Brașov, Sibiu, Alba and Suceava to Germany and Austria and, on the other hand, from Moldova (Botoșani, Suceava, Vaslui, Bacău, Galați and Tulcea) to Spain, Greece and Italy.⁹ There are cases when males of work age living in small localities leave their homes for 9-11 months a year to work abroad. The opening of the Spanish labour market to agricultural activities determined women from rural area to go abroad for temporary work. Also, the bilateral agreements on labour with regard to certain skills and qualification levels stimulated the migration for work of some workforce categories which graduated from secondary school or university (e.g. medical staff, certain technical professions, as well as workers in the service field such as students working in the hotel business, etc). We estimate that 15% of the Romanians had a job abroad from 1990 to date (ILMO, 2007).¹⁰

According to the latest statistics,¹¹ 10% of Romania's active population work abroad, of which about 850,000 in the EU, especially in Italy, Germany, Spain and Hungary. The early temporary migration for work estimated to be 5 per thousand between 1990-1995 was followed by a slight increase of 7 per thousand in the next five years.¹² The elimination of visas for the Schengen Area caused an increase in the rate of temporary migration, varying by age group, gender and professional training level. Although the number of Romanian migrants in 2007 was double that of 2001 and, in comparison with other countries, "the rates are normal" [D. Kozak, 2007], the interest in other destinations diminished if compared to 2003: Germany (from 18% to 13% of all migrants in 2007 as against 2003), Spain (from 12% to 10%), Italy (from 25% to 19%). The ILMO estimates show that 53% of the Romanians working abroad have no work permits, and a 2005 sociological study reveals that only 1/3 of the people working abroad intends to remain there. The main reasons for emigration are a higher wage (51% of the interviewed and about 56% of the young people aged 19-35) and a higher standard of living (20% of the total and one quarter of the elderly).¹³ According to other estimates, the labour abroad amounted to about 2 million Romanians (UNFPA),¹⁴ of which many left and remained there illegally after the expiration of their contracts. The trend expected by officials is a migration diminution, similarly to newly integrated countries such

⁹ "Reconversia profesională naște căpșunari", *Curierul național*, 7th November, 2005.

¹⁰ Kozak, Daniel, PR officer at the International Labour Migration Organisation (ILMO), *Evenimentul*, 13th August, 2007: <http://www.evenimentul.ro/articol/10-la-suta-din.html>.

¹¹ Temporary living abroad, *The economic migration of the Romanians, 1990-2006*, The Open Society Foundation. A sociological survey on a sample of 1400 individuals directly interviewed after a probabilistic two-staged selection with stratification in the first stage.

¹² It is not about the number of migrants, but about acts of temporary migration. The chart figures represent rates of temporary migration abroad of the population aged 15-64 years from the sample of 1400 households. There were 548 leaves for work abroad from 1400 households (including 4791 people) between 1990 and 2006.

¹³ *Românii și migrația forței de muncă în Uniunea Europeană*, ANBCC, decembrie 2005, http://www.robcc/571956278125000_ro.pdf.

¹⁴ Romania will have 16 million inhabitants in 2050, of which half are pensioners. Source: *Wall Street*, 2nd October, 2006, http://www.9am.ro/print_article.php?art_id+44621. According to the authors of this report, this figure represents the stock of population working abroad, including also those who left Romania before or immediately after 1989 and gradually integrated into the population of the receiving country after clarifying their legal status.

as Poland.¹⁵ Romania's economy, in considerable progress in the last years, could provide attractive jobs for the youth in the future, as regards both the professional profile and the earnings. The opportunities for employment and professional performance will be closely linked to the dynamics of technological progress absorption and the increasing competitiveness of some activities in the national economy. Moreover, the development of constructions and services will produce higher incomes also for medium or low-educated people, who now seek jobs abroad.

The management of the dimension of workforce migration is poor on the national level. As regards the stock of migrants it includes people monitored by the Labour Migration Office (LMO), that is, tens of thousands a year (e.g. 53 thousand were monitored in 2006), people who received work visas (89,663 in 2006), people on labour contracts concluded on their own behalf by public and private operators, and people working in the unrecorded economy of the countries of destination.

The Romanian labour market is influenced, besides emigration, by immigration, but on a smaller scale. While in 1991, the immigrants were 1,602 in number, in 1998 we find the greatest level, i.e. 11,907 people; then the number varied around 10-11 thousand people between 1999 and 2001, and later, in 2005, diminished to 3,704 people. After 2007, the immigration was estimated to be 15-18 thousand a year. The National Strategy in this field pointed out that "migration should be considered as a process to be managed and not as a problem to be solved".¹⁶ Taking into account Romania's change into a country of destination for migrants, the Government takes action to diminish the illegal factor of migration by preventing the immigration of those unable to satisfy the legal requirements as well as illegal residence, black labour and the traffic of migrants. Although the dimension of labour immigration is small, it is advisable to present current statistics in this field, especially to show its attributes/characteristics. In 2006, out of 8,573 visas granted for long stay, 2,363 were granted for work and 917 for business (about 450 of applications for visa concerning the two categories mentioned above were rejected, from a total of 1,641). The dynamics of this phenomenon is relevant: the number of applications for jobs increased very much, i.e. 1.59 times, in comparison with the previous year and our country turned from a transit country into a destination country for migrants. The number of applications for business visas remained at about 900. There also was a significant increase in 2006, compared to the previous year, in the number of long-stay visas for other purposes (1.56 times). Specialists consider that this request is possibly justified by the increasing interest of foreign companies in relocating trained personnel in Romania and the increasing number of seasonal personnel and personnel on probation in Romania.¹⁷ On the whole, statistical data reveal the policy made by

¹⁵ Prodi and Tăriceanu think that migration is supposed to diminish, 17th January 2007. Source: The Government of Romania: "The workers' movement diminishes when there are concrete signs that the situation improved in the country of origin. In the future, emigration (author's note: from Romania) will diminish (Prime Minister Prodi). The climax of workforce migration was reached. Considering the scarcity of workforce in Romanian labour market, we shall witness the return of the Romanians to their country of origin (Prime Minister Călin Popescu-Tăriceanu): http://www.euractiv.ro/unimeea-europeana/articles%7CdisplayArticle/articleID_9176/Migratia-se-va-diminua-cred-Prodi-si-Tariceanu.html.

¹⁶ Immigration and asylum in Romania, 2006, Study, Government of Romania, Bucharest, March 2007, p. 19.

¹⁷ "Immigration and asylum to Romania in 2006, A study", The Government of Romania, Bucharest, March 2007, p. 31.

authorities, in our case, the Authority for Foreigners, in order to permit long-stay entrance only to persons that can justify it. The number of rejected work visas was 84 in 2005 and 263 in 2006 and that of rejected business visas was only 58 in 2005 and three times as much in 2006, i.e. 189. It is worth mentioning that the citizens from member countries not requiring entry visas were not considered in statistics. The pressure put by foreign citizens who are granted the right to stay in Romania is very small: at the end of 2006, they represented 0.25% of the total population. There is a growing trend, by 8% as against 2005, but the proportion is still low. By citizenship, the stock of immigrant population at the end of 2006 included: Moldavian, 21%, Turks, 12%, Chinese, 9%, Italian, 4%, USA citizens, 3.6%, and Syrian, French, Lebanese, Ukrainian, under 3%. About 90% of the foreign citizens have temporary visas: 30% of them try to find a job (12%), to do business (17.3%).

As regards the temporary stay for employment, the number of foreigners increased significantly in 2006 as against 2005 (1.57 times). If related to the number of active population, the employed foreigners represent 0.58%, but they do not put high pressure on specific segments of the labour market. Of the total of almost 8,000 work permits issued by the Labour Migration Office, 69% were new and 31% were extended, while, of all active permits, 82% were granted to males. The territorial distribution of foreign workers in the market was asymmetrical, with a higher concentration of 63% in the Bucharest-Ilfov Region and the lowest concentration in the SW Region of Oltenia. Among the first ten countries whose citizens were granted work permits-according to statistics provided by the Labour Migration Office, we find the following: Turkey (27%), Moldova and China (about 16%, each), France and Germany (5-6%, each), Italy, Greece, Austria, Lebanon, the United Kingdom. The executive positions have about three quarters of all active permits, while the proportion of foreign citizens employed in productive activities was the highest (28%), followed by trade (27%). As regards the level of incomes earned by them, according to contracts registered at the beginning of 2006, almost 95% of the foreign citizens received wages 4.6 times higher than the gross average wage in the economy (1,077 RON on 1st January, 2006).

According to statistics provided by the National Commission for Prognosis, by 2013-2015, 200-300 thousand foreigners will enter the Romanian labour market, which requires a system of effective management of this phenomenon.

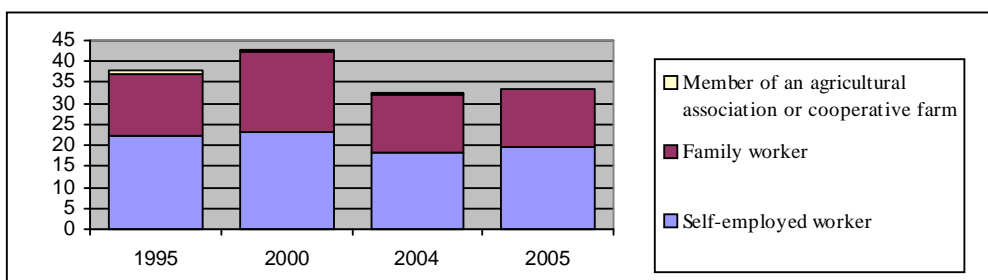
Informal economy and employment

Small incomes and tax burden on wages (contributions to social funds, considered by employers too burdensome for the business environment and ineffective for ensuring the service quality) caused the economic agents and active people to adapt and partially or totally avoid paying taxes on wage and business, in general. The latest changes in the labour law were aimed, on one hand, to reform the tax on global income of various population categories and, on the other hand, to reduce the number of cases when the employer could remunerate a person who rendered a service to the company. According to NIS statistics, the Romanian informal sector grew significantly in the first transition decade, that is 16.6% of the GDP in 1996 and 20.8% in 1999. If we consider various measurement models, the differences could be significant. For example, in 1995, the differences in measuring the informal economy varied between 16.6% according to the NIS estimate (direct method) and 38.4% according to

the Global Approach – Version I.¹⁸ The estimates concerning the employment in the informal sector are extensive and usually show a lowering trend in the last years.

The informal employment could partially explain the low level of employment in the formal economy and of unemployment. On one hand, the “grey” economy provides low-paid and low-skilled jobs for low-skilled people who cannot find jobs in the real economy or for the elderly whom the employers are not eager to hire. On the other hand, a common case in the private sector is to pay the employer the minimum wage in the real economy, and the rest of the agreed amount is received “in hand”, out of the company’s records, in order to partially avoid the tax burden on wages.

But if we confine ourselves to estimate the informal labour by NIS data, expressed as employment of a self-employed worker and a non-paid family worker, then, according to the 2005 Integrated Household Workforce Survey, 33.6% of total population were in this situation (of which 45% women, i.e. 3,073 thousand). Most of them worked in the agricultural sector, i.e. about 2,757 thousand people, in subsistence agricultural farms (1,328 thousand females).



Sursa: Household Labour Survey.

Figure 8 - Informal employment (% of total employment)

Considering the broad meaning of “informal economy”, which also includes black labour, then the dimensions of employment in such activities are different. Black labour is not only a phenomenon associated with acts for avoiding the taxes on wage, but also a temporary form of survival of some population categories. Statistics reveal two main categories of people who agree to work under such conditions: the young and the elderly on the labour market. Young people, inexperienced and eager to find a better paid job, accept a transient job for earning an income and getting familiar with the work environment. Some of them even acquire experience and become efficient, so the employers agree to hire them afterwards on a legal basis, others migrate to several jobs until they find one that ensures their professional self-assertion and a “comfortable” income or migrate abroad – first, temporarily – for a better paid job (seldom associated with prospects for a professional career). The elderly – over 45 years and, usually, having professions inconsistent with the new occupational structures of

¹⁸ *Informal Sector in Romania, UNDP and RIQL, Bucharest, 2001, p. 17. The direct approach is based on annual data provided by the National Institute of Statistics, the Integrated Household Survey, the Labour Balance, the Annual Survey of Enterprises and the census. The global approach is based on the workforce supply, taking into account various assumptions concerning the national productive potential and the individuals’ preferences for leisure time.*

upgraded companies – accept black labour as a solution to earn an income until they meet the requirements for retirement. But they try to find and accept employment at the minimum wage level based on partial pay “in hand”, as a solution for extending the contribution period (it is a condition for a full pension at the retirement age: 25 years for females and 30 years for males).

The unrecorded labour sector emerged because of transition, i.e. inconsistency, unjustified delay and incoherence of reforms. The stop-and-go model applied to a market economy in progress facilitated the emergence of activities based on unrecorded labour, especially in constructions, services and farms. According to available information, black labour occurs in agricultural activities, such as fruit growing, wine growing, forestry, constructions, trade (street trade, marketplaces, fairs, wholesale stores and supermarkets), in textile, leather ware and footwear industry, wood processing and a wide range of services (protection and guard services, car services, car wash, hair styling, public food services such as bars, restaurants, confectionery and pastry, etc.). The latest surveys show that the share of undeclared labour in the GDP is 20-30%; about 2.7 million people work totally or partially in paid but unrecorded activities.¹⁹ Unrecorded labour occurs in activities that produce low value added and, consequently, employment is precarious and associated with low income.

The inspections carried out by the Labour Inspection Authority reveals that not only Romanians work on the black labour market, but also foreigners working in constructions (highways).²⁰ According to the Labour Inspection statistics, of 4,193 employers inspected in 2000, 9.4% used workforce without legal employment documents and 19,228 people were found to work under such conditions. In 2006, the inspected companies were 2.24 times as much, of which 7.8% used illegal workforce (16,571 people).²¹ But if we consider the estimates provided by trade unions, there is more black labour, since “over 30% of the national economy is based on black labour”.²²

Remuneration in the informal sector is influenced by at least two factors: the wage level equivalent to the work in the real economy associated with accepted minimum wages by level of qualification and the demand-supply ratio on this market segment. Usually, these wages are higher than the national minimum wage since they are not burdened by social contributions and taxes, but, because of the rich supply, they do not reach the required level for the work done. There are great differences by skill and professions, while the new qualifications and the competence in new technologies are better paid.

Aspects of the labour deficit

The adaptation of companies to market conditions and the concern about the EU enlarged market have brought about major changes at the company level. Some occupations have disappeared, new ones have emerged and most of those that have maintained have undergone substantial changes in the labour content in order to adapt to changes in technology and

¹⁹ *Sectoral Operational Programme for Human Resource Development 2007-2013, Romania, p. 26.*

²⁰ *For details concerning the fines paid by foreign employers in Romania, see the statistics provided by the Labour Inspection Authority and the site: <http://www.sfin.ro/print.php?id=8351>.*

²¹ *The results of the labour inspection between 2000-2006 to be found at: <http://www.guv.ro/presa/integrare/afis-doc.php?idpresa=527>.*

²² *“Economia românească «duduie» cu munca la negru”, Săptămâna financiară, nr. 104, 2 aprilie 2007; <http://www.sfin.ro/print.php?id=8351>.*

organizational structure of the companies. The IT&C applications enriched the common stock of abilities and competences, which caused significant fluctuations in personnel, especially in occupations of low educational level. In the last five years, important technological changes have taken place and they are supposed to go on, as recognized by about 42% of the interviewed representatives (MLSSF, 2007).²³ Between 1992 and 2002, there was a significant decrease in the number of agricultural and forestry skilled workers and processing industry specialists, but the number of persons employed in trade, hotel and restaurant business, finance, banking, insurance, education, health and social assistance increased significantly. The Romanian occupational model is approximating to the European one. The demand change by occupational structure (associated with migration for jobs, low effectiveness of retraining or reconversion programmes and the failure of the education system to adapt to market conditions) caused important deficits in technicians, foreman, agricultural workers, forestry specialists, mechanics as well as unskilled workers (which attended courses specific to the company's activity, usually by means of short on-the-job training programmes). There were jobs in excess for the following categories: (high-rank and administrative) public servants, commercial operatives, machine and installation operators, machine and equipment fitters. For example, in 2005, the highest increase in the number of jobs was in constructions and services, but, at the same time, the highest deficit in specialized personnel by skills and specific occupations occurred also in these sectors. The prospects for the next five years show an increase in demand for managers and technical specialists, specialists in IT&C, marketing and industrial and art design.²⁴

In early 2007 (January) the ratio of job destruction to job creation favoured the first one. According to the NBR situation survey²⁵, one-third of the employers estimate a diminution in the number of employees and only 12% estimate an increase. But the negative balance continued in the next months as well. Dismissals include employees from oil processing industry, coking industry, nuclear fuel industry, extractive industry and transport means industry. In August, the planned dismissals from the computer and radio-TV equipment industry and the building material industries are to be added. Increases in personnel are expected from seasonal activities such as constructions. There was a relative stability of employment in metallurgy, steel structures sector, electrical equipment and machinery sector. It is worth mentioning that significant fluctuations occur in medium and low-skill jobs.

The non-correlation of labour supply and demand occurs both at the trade and profession level and at the territorial level. There is a significant workforce deficit both in high-qualification occupations (because of brain drain, brain shopping and brain circulation) and in low-qualification occupations (because of the migrations for jobs and/or low territorial mobility). In the second category we find the deficits concerning the construction, service, trade and textile sectors. Low territorial mobility, caused by the scarcity of financial resources for changing the place of residence or for a temporary home close to the workplace, causes deficits in number of unskilled workers in the local labour markets. In constructions we find a paradoxical case. On one hand, the unemployed receiving benefits are over 8,000 in number

²³ *Evoluția ocupațiilor pe piața forței de muncă din România în perspectiva anului 2010, Ministerul Muncii, Solidarității Sociale și Familiei, Direcția de Politici pentru Forța de Muncă.*

²⁴ *Managerul și montatorul – meseriile următorilor ani, interviu cu directorul Direcției de Politici de Forță de Muncă din Ministerul Muncii, Adevărul nr. 5315, 13 august 2007, <http://www.adevarul.ro>.*

²⁵ *The situation survey is made with support from NBR branches and are based on a representative national sample at the district level, consisting of 420 units.*

and, on the other hand, the offer made by employers amounts to 7,000 jobs (ANOFM, 2007). The main cause is the low mobility of workers.²⁶

Low territorial mobility. Labour deficit in territorial profile

In our opinion, a low and further decreasing national unemployment rate shows that there are no major problems regarding the need for labour in the market, but we are confronted with serious problems in market segments and territorially because of low labour mobility on medium and long distance.

If we consider the share of hardly taken jobs in civilian population, we find that the most serious deficit occurs in the Districts of Sălaj, Călărași, Ilfov, Brăila, Harghita and Gorj. If we consider the share of jobs in all recorded unemployed, the deficit occurs in the same Districts of Sălaj, Brăila, Ilfov, but also in Timiș, Arad and Bihor. By occupation, the main trades facing a deficit are the following: unskilled workers for product packing, unskilled workers for road and bridge maintenance, unskilled workers for building and masonry demolition, workers in ready-made clothes and textile industry, shop assistants, locksmiths, guards, merchandise handlers. According to available data provided by the National Agency for Employment (ANOFM), we may conclude that there is a serious deficit in constructions and ready-made clothes industry, associated with workforce orientation to other fields. The ready-made clothes industry, with low wages and preponderantly female workforce, is no longer attractive, especially to the youth. Moreover, the opportunities for employment abroad in constructions, paid better than at home, causes some deficit in the specific market. The geographical distribution of demand in relation to potential supply is a frequent cause of deficit in local labour markets. They are only temporarily covered, while in some industries, such as the ready-made clothes one, the problem was solved by immigrants (in Bacău and Iași, the ready-made clothes enterprises employed Asian workers).

Job destruction/creation

Although the economic reforms made in two decades of transition caused a major increase in employment and profound changes by socio-professional structures, we see that, in the Romanian economy, there were fields with a potential for further economic development, in which employed population was on the increase. These fields include: constructions, real estate transactions, hiring services and services mainly rendered to enterprises, health and social assistance, public administration and defence, trade, hotels and restaurants, and financial intermediation. Agriculture, as a last resort employer, has not created durable jobs, but it managed subsistence jobs, and lately it has been losing people employed in two ways: on one hand, naturally, because of the ageing of the population employed in agriculture, and, on the other hand, by leaving specific activities: some people migrate temporarily for jobs and some of the active population seeks non-agricultural jobs and non-agricultural productive activities, owing to increasing performance of these fields and the opportunities offered by the diversification of the intervention tools for supporting them. Also, important quality changes are expected with regard to rural population employment, that is, moving from subsistence sectors to the sector of agricultural services, following the development of a competitive agriculture focused on medium-sized farms. In this context, it is estimated that the

²⁶ Muscalu, Ionel, *President of ANOFM, România liberă, 9 August 2007: <http://www.Romanialibera.ro/a103110>*.

equilibrium between rural employment rate and urban employment rate, i.e. 58.5% and 58.2% will be achieved in 2008.²⁷

Job creation is quite dynamic, owing to significant restructuring and the development of certain economic fields by means of foreign capital. According to the monitoring performed by EWCO, from Dublin, Romania is ranked among the top EU countries that create the most jobs.²⁸

The European Restructuring Monitor Statistics reveals that economic restructuring in Romania has caused a diminution of over 85% in personnel and most jobs have been created because of business expansion.

Table 15

**Job creation/destruction by type of restructuring
2002 (January) – 2007 (August)**

Type of restructuring	Planned job destruction	Planned job destruction %	Job creation	Planned job creation %	Cases	Cases, %
Business expansion	0	0%	117862	93.83%	144	56.03%
Internal restructuring	82039	86.41%	902	0.72%	82	31.91%
Bankruptcy/Closing	10204	10.75%	280	0.22%	19	7.39%
Merger/Acquisition	1400	1.47%	6040	4.81%	7	2.72%
Relocation	130	0.14%	530	0.42%	3	1.17%
Other	1170	1.23%	0	0%	2	0.78%
Total	94943	100%	125614	100%	257	100%

Source: <http://www.eurofound.europa.eu/emcc/erm/index.php?template=stats>.

By economic activity, most lay-offs occurred in the extractive industry, followed by metal industry, machine-building industry, agriculture and public sector. Jobs were created in fields such as: motors, post and telecommunications, trade and public sector. In the entire period analysed, job creation exceeded job destruction by 1.3 times.

Table 16

Job creation/destruction by sector

Sector	Planned job destruction	Planned job destruction %	Planned job creation	Planned job creation %	Cases	Cases %
Metallurgy and machine-building industry	21614	22.77%	5700	4.54%	30	11.67%
Extractive industry	26255	27.65%	280	0.22%	25	9.73%
Trade	100	0.11%	18530	14.75%	23	8.95%
Automotive	922	0.97%	24050	19.15%	20	7.78%
Constructions and carpentry	1995	2.1%	6500	5.17%	19	7.39%
Public sector	10000	10.53%	15523	12.36%	15	5.84%
Transport and storage	4722	4.97%	1620	1.29%	14	5.45%
Chemical industry	4510	4.75%	4750	3.78%	13	5.06%
Information technology	0	0%	5552	4.42%	13	5.06%
Post and telecommunications	1591	1.68%	20948	16.68%	12	4.67%
Electricity	1604	1.69%	5970	4.75%	12	4.67%

²⁷ Estimate by the National Commission for Prognosis, the National Programme for Reforms, the Government of Romania, 2007, p. 45.

²⁸ <http://www.gandul.info/social/Romania-topul-tarilor-ue-creeaza-cele-mai-multe-locuri-munca.html> 3932;881317.

Sector	Planned job destruction	Planned job destruction %	Planned job creation	Planned job creation %	Cases	Cases %
Textile and leatherware industry	1680	1.77%	4150	3.3%	11	4.28%
Energy	2582	2.72%	0	0%	9	3.5%
Food, beverages and tobacco	324	0.34%	1140	0.91%	8	3.11%
Business consultancy	0	0%	7420	5.91%	8	3.11%
Agriculture and fish farming	10900	11.48%	2191	1.74%	7	2.72%
Glassware and cement	1259	1.33%	400	0.32%	6	2.33%
Hotels, restaurants and catering	123	0.13%	590	0.47%	4	1.56%
Maintenance and cleaning	350	0.37%	0	0%	2	0.78%
Financial services	1500	1.58%	300	0.24%	2	0.78%
Pulp and paper	745	0.78%	0	0%	1	0.39%
Education	1681	1.77%	0	0%	1	0.39%
Stage performance	356	0.37%	0	0%	1	0.39%
Health and social assistance	130	0.14%	0	0%	1	0.39%
Total	94943	100%	125614	100%	257	100%

Source: <http://www.eurofound.europa.eu/emcc/erm/index.php?template=stats>.

Recent developments in Romania, in the second half of 2007, show that 6000 jobs have been created and 1945 were destroyed, while 14 important restructuring cases and 11 important job creation cases took place. Trade is by far the sector with the highest job creation.²⁹ Also, an increase in number of jobs occurred in other sectors: constructions and wood processing (Bechtel intended to create 1500 jobs by the end of 2007, within the Braşov-Borş Highway Project), machine-building industry (Brandl-Ro – 300 jobs), electrical cable production (Connectronics – 1000 jobs), business consultancy (XL World Romania – 200 jobs), telecommunications (Ericsson – 200 jobs), food sector (Tnuva Romania – 150 jobs). On the contrary, the most important job destruction took place in transport and storage (Autonomous Company for Thermal Energy Distribution – 800 jobs) and the chemical industry (Rolast – 760 and Terom – 385).

²⁹ The most important case is Carrefour, which intended to employ 2000 people, followed by Selgros Romania (350), Elmec Romania (100) and Praktiker (100).