

# INSTITUTIONAL CHANGES AND LABOUR MARKET OPERATION IN INTERWAR ROMANIA

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**Abstract:** *The paper firstly reviews the changes of the institutional framework of the labour market in Romania between 1919 and 1939 and emphasizes the importance of the transposition of the International Labour Organization conventions into the national law. Then, the analysis is focused on the features of the employment model and of the labour market disequilibria during the above-mentioned period. On this basis, it is possible to conclude that during the interwar period, Romania's employment model was a dual one. i.e. the agriculture represented the traditional sector and supplied jobs for about 80% of the active population, while the non-agricultural branches acted as the modern sector. Also, the pattern of the labour market disequilibria was quite different during the second interwar decade in comparison to the first one.*

**Keywords:** *International Labour Organization, Placement Offices, employment model, seasonality, intellectual unemployment*

**JEL Classification:** *D02, E 24, J08, J21, J64, N34*

## Introduction

During the interwar period, Romania experienced sensible mutations of the labour market operation. A major contribution to the respective mutations was brought by the implementation of ample economic and social reforms, on the one hand, and the creation of the new institution of the labour market, on the other hand. Also, an important role was played by the application of some of the provisions of the system of Versailles Peace Treaties, which favoured the international cooperation concerning the labour law and the improvement of the working conditions. Thus, the labour market considerably extended. In this context, new features of the disequilibria between the supply and demand could be identified, which were influenced not only by the reconfiguration of the institutional framework but also by the fluctuations of the

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economic activity. Hence, the study of labour market operation in correlation with the economic and political cycles between 1919 and 1939 help us to better understand Romania's economic and social development during one of the most complex periods of her history.

## **1. Stylized facts about Romania's economic and political cycles during the interwar period**

The interwar period may be seen as a Kuznets-type cycle<sup>1]</sup> in the evolution of Romania's economy. The data presented in V. Axenciuc, G. Georgescu (2017) show that, between 1920 and 1939, the gross domestic product grew at a yearly average rate of 3,26%. Consequently, in the 1939 year, the gross domestic product was 1.96 times higher in comparison to the 1920 year. The fluctuation of the rate of economic growth allows us to identify two decennial (Juglar-type) cycles. The first interwar decennial economic cycle lasted from 1919 to 1928, while the second one concerns the 1929-1939 period.

**During the first interwar decade (1919-1928)**, Romania experienced fast economic growth. Between 1920 and 1928 the gross domestic product grew at an average yearly rate of 5.66%. The respective economic dynamics were obtained in the special context of the reconstruction after the huge damages caused by World War One and of consolidation of the role of the market mechanisms in the coordination of the economic activity. The reconstruction of the economy lasted until the 1924 year. Between 1920 and 1924, the average yearly growth rate of the gross domestic product was 8.33%, while during the 1925-1928 period the respective indicator was 3.06%.

The 1919-1928 period was politically dominated by the National Liberal Party (NLP), whose leaders were prime ministers between December 1918 and September 1919, between January 1922 and March 1926 and between June 1927 and November 1928<sup>2</sup>. An important role was also played by the People's Party (PP), created and led by A. Averescu which exercised the governance between March 1920 and December 1921 and between March 1926 and June 1927.

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<sup>1</sup> Kuznets (1973) revealed the existence of some economic cycles (swings) with a length of 15-25 years. The respective cycles are related to the changes in the demographic behaviour and implicitly of the labour supply. Also, it was remarked the cyclical evolution of the constructions and the development of the infrastructure.

<sup>2</sup> The economic policy promoted by the National Liberal Party was mainly inspired by the "Through our effort" (prin noi înșine) doctrine, which considered as a priority the consolidation of the position of the indigenous capital in the economic activity and adopted a protectionist view concerning the development of the industry.

During the first interwar decade, a series of important economic and social institutional changes were initiated and implemented both by NLP and by PP governments. The most important institutional change was the Agrar Reform adopted under the first governance of general A. Averescu. The implementation of the above-mentioned reform represented the finalization of the first transition to the market economy and opened a new chapter in Romania's' economic history.

**During the second interwar decennial cycle (1929 – 1939)**, the average yearly rate of economic growth was 2.14%. The above –mentioned period is defined by the 1929-1933 crisis and by the economic recovery between 1934 and 1939. The economic crisis was mainly manifest in industry, constructions and services. The primary sector experienced a growth of the value-added. In this context, between 1928 and 1933, despite the economic crisis, the gross domestic product grew slowly at an average yearly rate of 0.65%.

The 1929-1933 period is marked by a relative governmental instability. Between November 1928 and April 1931 the governments were formed by the National Peasant Party (NPP)<sup>1</sup>, while between April 1931 and June 1932 we deal with a govern of technicians led by the great historian N. Iorga. Between June 1932 and November 1933, the NPP came back to power.

The economic recovery registered during the 1934-1939 period was mainly sustained by the development of industry, in the context of a protectionist policy. The average yearly rate of economic growth was 3.4%. During the 1934 -1937 interval, NLP led again the government and promoted an economic policy, which was essentially inspired by the traditional "through our effort"doctrine .Between 1938 and 1939, in the context of an authoritarian monarchic political regime, the protectionist policy continued to be implemented. We note that during the second half of the 1930s, the governments of a great majority of the developed European countries extended the interventionist approach to obtain a faster economic growth and to alleviate the negative impact of the higher unemployment rate.

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<sup>1</sup> The National Peasant Party (NPP) was established in October 1926 and represented the political expression of the aspiration of the new rural middle-class, which occurred as an outcome of the Agrar Reform and of the action of the other urban economic and social forces which acted for the redefinition of Romania's political system. The economic policy promoted by NPP was inspired by the "open doors" (to the foreign capital) doctrine. This policy favoured the relaxation of the protection of the industry, equal treatment to the indigenous and foreign capital and increased support for the rural middle class.

## 2. The main changes of the institutional framework of the labour market

During the two interwar decades, the institutional framework of the labour market registered ample mutations, which were correlated, in a certain manner, with the economic and political cycles. As we mentioned before, the 1919-1921 period was marked by many economic constraints, which generated social tensions. Therefore, in 1920 year, there were registered 580 strikes with 1160191 participants and 1702402 lost working days, 123 latent labour conflicts with 8181 participants, and 35 lock-outs with 1473 participants. In the same time, Romania was one of the founding members of the International Labour Organization (1919), as an outcome of the signing of the system of Versailles Peace Treaties (1919-1920)<sup>1</sup> and had to transpose into the national labour legislation the international conventions and recommendations issued by the above-mentioned organization.

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<sup>1</sup> The Constitution of the International Labor Organization (ILO) was included as the Part XIII (The Labour) into the system of the Versailles Peace Treaties. It was stated the member states of the League of Nations were also the members of the ILO. The founding member states assumed that a durable peace could not be obtained if the conditions for the achieving of the social justice were not created. As the most important methods and principles, which could be used to achieve the social justice, were considered: a) the labour may not seen as a simple merchandise, b) the existence of the right of association both for the employers and employees c) the paid wages, which ensured satisfactory existence for the workers and employees, conforming to the local traditions, d) adaptation of the principle of the 8 hours per working day and of the 48 working hours per week in all the member countries, e) the adoption of a weekly rest of least 24 hours, f) the suppression of the child work and the protection of work of the young people and of the women, g) the implementation of the principle of equal pay for a work of equal value and of non-discrimination, h) the rules established by each state concerning the working conditions had to ensure equitable treatment for all the workers and employers which were residents in the respective state, i) the necessity of the establishment, in each member state of a service of Labour Inspection in order to ensure the implementation of the laws and the regulations concerning the protection of the workers and employees.

The first session of ILO took place between 29-th October and 29-th 1919 in Washington. With this occasion, the delegates of the participating founding members adopted the first 6 international conventions, which reinforced some of the principles and methods mentioned above. The above-mentioned international conventions concerned: 1) The length of the working day and the number of working hours per week, 2) lack of labour demand (unemployment), 3) motherhood, 4) women's night work, 5) minimum age for the children admitted to work in industrial activities, 6) children's night work

During the interwar period, ILO adopted 67 international conventions and 66 recommendations (cf. A. Popescu, M. Dușu, 1997).

The first major change of the institutional framework concerning the labour market operation was the establishment of the Ministry of Labour, Social Protection and Health (MLSPH), when the first government led by A. Averescu came to power (March 1920). The new Ministry took some prerogatives, which previously were exercised by the Ministry of the Interior. The establishment of MLSPH was imposed by particular economic and social conditions of the 1919-1920 period. On the very short term, the public authorities had to find solutions in order to sensibly diminish the social tensions and manage the new economic and social landscape. The achievement of the national unity at the end of the 1918 year, led to important changes of the economy structure and in the labour market operation. The relative importance of the salaried industrial workers sensibly increased. The worsening of the economic conditions and the influence of the revolutionary situations from the other European countries caused the exacerbation of the labour conflicts and claiming actions of the trade-unions and left-wing parties. In this context, a ministry with well-defined attributes concerning the labour market problems could act in favor of the alleviation of the social and political tensions. On the medium term, the respective minister had to ensure the unification of the law concerning the labour market, the social insurances and public health on the whole national territory. Another objective was to facilitate the implementation of the international conventions and recommendations issued by the International Labor Organization.

On 5-th September 1920, the Parliament adopted the first law initiated by the MLSPH, i.e. the law on the labour conflicts, inspired from the practices and legal regulations used in some western developed countries. The above-mentioned normative act limited the possibilities of the declaring of strikes by workers. Also, if the labour conflicts maintained, the compensatory arbitrage had to be implemented. The important change of the legal framework could not avoid the general strike, organized by the trade unions in October 1920, but the number of the labour conflicts sensibly diminished in the next years. Thus, the number of the working-days, which were lost because of the strikes and lock-outs decreased at 212365 in the 1924 year and at 109666 in the 1928 year. (cf. Enciclopedia României, vol.III).

During the 1921 year, the institutional framework of the labour market registered sensible changes. Thus, in March-April 1921, the parliament voted the law for the ratification of the first 6 international conventions of ILO, adopted in 1919. Also, in May 1921, the law on the professional trade-unions was adopted. This way, there were improved the conditions for the freedom of association of the workers and employees. In the same time, the respective normative act imposed limitation to the political implication of the trade unions and favoured a more active participation of the representatives of the

workers and employees in the negotiations of different aspects of the industrial relations<sup>1</sup>.

On 30-th September 1921 the Parliament adopted the law for the organization of the Placement Offices, which represented the transposition into the national legislation of the ILO international convention no. 2/1919 concerning the unemployment. Theoretically, public Placement Offices<sup>2</sup> had to be established in each county residence town. Practically, in the 1922 year, we deal with 25 Placement Offices, and their number increased to 33 in the 1936 year and to 37 in the 1938 year (cf. Enciclopedia României, vol. III). The law created conditions for the establishment, in each Placement Office, of a mixt committee, whose members are the representatives of the employers and of the workers. The local Placement Offices were coordinated by a Central Office, which operated within MLSPH. The aim of above-mentioned Central Office was to ensure the rationality of the placement. The placement of the potential workers might be done not only locally, but also in different counties or regions. This way, the premises for the identification of the disequilibria between the labour demand and labour supply were created, and the labour force mobility was encouraged. The placement activities were considered as public services and, consequently were free of charge for the physical persons or firms which benefited from the respective services. The expenditures generated by the placement activities were financed by the state budget as well by the local and counties budgets.

During the 1922-1928 period, the reform and modernization of framework of the labour market continued. This evolution was determined by the fact that the main political parties, formally considered that the industrial labour issues were very important for the economic and social development in the short and middle term. We note that the relationship with ILO maintained at a very high level. Therefore, in the 1922 year and the 1925 year, Romanian parliament ratified several international conventions proposed

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<sup>1</sup> Some of the provisions of the law on the professional trade-unions were modified by the adoption of the law on the juridical persons (February 1924), which, implicitly, imposed several limitations on the right of association and to the capacity of action of the social and political organizations. Therefore, an approval of the Ministry of Labour was necessary before the registration of a trade-union as a juridical person by a tribunal. Also, the government had the right to dissolve a trade -union if it is considered that above-mentioned juridical person broke the law. Part of these limitations were removed in the 1927 year, when the law on the juridical persons was modified.

<sup>2</sup> The idea of the establishment of the Placement Offices, managed by private entities, which would identify the behavior of both the labour supply and demand and would propose actions to match them, have occurred in Old Romania, before World War One. It was assumed that the physical persons or firms, which would benefit from the placement services had to pay a charge.

by ILO<sup>1</sup>. Also, in May 1924, the King Ferdinand I-st of Romania was the first chief of state who visited the International Labour Office in Geneva. In fact, the most important laws concerning the labour market, adopted during the above-mentioned period were both reforms designed to answer to the requirements of the workers and employers and transposition into the national legislation of the provisions of the international conventions proposed by ILO. In this context, the National Liberal Party, defined as a center-right one from the ideological point of view, initiated and adopted several reforms and institutional changes, which, in the European developed countries were usually implemented by the social-democratic parties, as C. Argetoianu (1991) remarked.

The premises for the improvement of the legislation related the labour market were created by the adoption of a new constitution (March 1923), which proclaimed the freedom of labour and the equality of the main production factors (labour and capital). Between 1924 and 1928, in the context of a favorable economic situation, the most important labour laws concerned the improvement of the working conditions and the protection of the workers and employees rights. Therefore, the law of mines (1924) included some provisions on the protection of the work of young men and of the women. Thus, the parliament adopted a new law on the weekly rest (1925), the law on the labour inspection (1927), the law on the Labour Chambers (1927) and the law on the protection of the work of minors and women and on the length of the working day (1928). All of the above-mentioned laws represented the transposition into the national legislation of the provisions of the international conventions of ILO. The respective normative acts contributed to the improvement of the working conditions and to re-balance of the industrial relations. Therefore, the law on the labour inspection (1927) created favorable premises for a more intense implication of the public authorities in the improvement of the working conditions, on the one hand, and in the mediation of the labour conflicts, on the other hand.

The adoption of the law on the protection of the work of minors and women and on the length of working time (1928) had a special importance. This way, it was implemented into the national legislation the provisions of the several international conventions of ILO<sup>2</sup>. This law represented also a significant victory of the trade-unions movement and an important step for the improvement of the working conditions<sup>1</sup>.

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<sup>1</sup> During the two interwar decades, Romania have ratified 17 international conventions proposed by ILO (cf. A. Popescu, M. Duțu, 1997).

<sup>2</sup> The adoption of the law on the 8 working hours per day and the 48 working hours per week appeared to be postponed in case of Romania, because the respective work time length was proposed by the first international convention of ILO in 1919. But we have to note that the respective

The declared objective of the law on the Labour Chambers and the organization of the Higher Council of Labour (1927) was to create the premises for a coherent dialogue of the main actors implied in the industrial labour issues (representatives of the workers and employees, of the employers and of the public authorities). The Labour Chambers were considered as institutions of public utility. Consequently, like in case of Agricultural Chambers and Trade and Industry Chambers, the Labour Chambers obtained the right to send six representatives in the Romania's Senate. The respective law was not practically implemented, but its simple adoption showed the importance which was granted by the public authorities to the industrial labour issues in the context of an important increased of the role played by the industry in economic development.

We note that the representatives of the employers paid attention to the issues concerning the employment and labour productivity in industry. Therefore, in 1926 year, the Romania's General Union of Industrialists (UGIR) initiated the establishment of the Romanian Institute for Work Organization (IROM). The main objective of the above-mentioned institute was to promote the development of scientific methods of the work processes and to improve the labour productivity. The financing of the activity of IROM was ensured both by UGIR and the Ministry of Labour.

During the 1929-1933 period, the changes of the institutional framework of the labour market were essentially influenced by the reform initiated by the National Peasant Party in order to implement its governance program and by the impact of the economic crisis. Therefore, in April 1929, the Official Monitor published the law on labour contracts. In this context, there are defined the types of contracts, which may be concluded between the workers and employers. Also, the respective normative act reinforced the provisions concerning the length of the working time, established the right to holydays of the workers and employees and the manners of the concluding the collective labour contracts.

In July 1929, a new law for the ministries was adopted. The attributes of the Ministry of Labour were redefined and extended by including the supervision of the implementation

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convention stated that there were admitted modifications (exceptions) of the implementation of the proposed working time length for Japan, British India, China, Siam, Persia, Greece and Romania.

<sup>1</sup> The law voted in 1928 stated that the minimum age for the admission to work of the minor persons was 14 years old, and that the minor persons under 18 years old and women may not work during the night. The length of the working time was established at 8 hours per day and 48 hours per week. In exceptional situations the length of the working day might be extended at 10 hours, with the condition of maintaining the working week at 48 hours. In October 1932, in the context of the adoption of new law on the Labour Chambers, the maximum length of a working day for the minor persons in exceptional situations was established at 9 hours.



of the labour contracts, the control of the professional trade-unions, the organization of the workers education, prevention of the work accidents (D.O. Patrice, 2009). Hence, the provisions of the above-mentioned law enlarged the capacity of intervention of Ministry of Labour in industrial relations in order to reduce the tensions between the trade unions and employers.

In the context of the economic crisis and of the increase of the number of the unemployed, during the period 1930-1933, the public authorities adopted a series of normative acts in order to diminish the disequilibria between the labour supply and demand. In April 1930, the law for the protection of the indigenous labour was adopted, which stated that foreign citizens willing to exercise a profession in Romania had to obtain the approval of the Ministry of Labour. The respective approval is given for a limited period. The sharp increase of the foreign public debt and, implicitly of the annuity of the respective debt forced the government to implement two so-called "curves of sacrifice" in January 1931 and September 1932. This way, the wages of all the persons employed by public authorities and state-owned economic entities diminished with 10-25% in case of the first sacrifice curb and with 15% in case of the second one.

In 1933, Ministry of Labour elaborated a Regulement concerning the prevention of the unemployment and the protection of the unemployed persons. Thus, a central committee of unemployment was established within the Ministry of Labour. Its role was to study the situation of the labour market, to collect funds and distribute social benefits to the unemployed persons. The incomes which generated the Fund of unemployment benefits were: a) subsidies from the state budget, b) subsidies from the budgets of local public authorities c) a fee, which represented 1% of all the wages and salaries paid by the industrial and commercial firms and was equally supported by the employees and employers.

In spite of the economic crisis, some changes of the institutional framework were implemented in order to improve the working conditions and re-balance the industrial relations. In fact, the above-mentioned changes represented the transposition of the international conventions of ILO, ratified by Romania into the national legislation. Therefore, in August 1931, the parliament voted „the law for the work organization in harbours”. This way there were created favorable premises for the improvement of the working conditions and for the implementation of the principle of negociation of the wages by the trade-unions and employers.

In October 1932, a new law on the establishment and organization of the Labour Chambers was voted by the parliament. The above-mentioned institutions were seen as representative bodies of the interests of the workers, employees and artisans from the private sector. Their main prerogatives were the registration of the collective contracts,

the study of the economic situation of the workers and employees, the dialogue with the public authorities concerning the improving the labour legislation and the other aspects of the labour market operation. Each Labour Chamber had 30-60 members. On the basis of the law adopted in 1932 a number of 20 Labour Chambers were established in the main towns of the country.

On 15-th February 1933, the parliament voted the law on the labour jurisdiction, which made possible the existence Labour Courts. These instances judged the different labour conflicts and acted in favour of diminishing of the tensions between the workers and employers. We note that in the context of economic crisis the tensions between the trade-unions and the employers exacerbated<sup>1</sup>. Labour courts were initially organized and operated in 11 towns. During the 1937 year, the number of Labour courts increased from 11 to 15 (cf. Enciclopedia României, Vol.III). On the medium term, the free access to the Labour Courts acted as a factor which prevented the abuses of employers against the workers and employees.

During the 1934-1939 period, the changes of the institutional framework of the labour market were very complex. The reasons of the respective evolutions were related to the requirements imposed by the growth of the role of the industry in economic activity to the labour market operation, on the one hand, and by the changes of the government economic and social policy. Therefore, in the 1934 and 1935 years, new normative acts concerning the employment of the romanian personel in industrial and comercial activities were adopted. Thus, the restrictions imposed by the law from 1930 were partially relaxed and a minimum percentage for the romanian citizens employed by the firms was diminished. Therefore, the romanian citizens would represent at least 80% of each category of personal and at least 50% from the members of the Councils of Administration.

The legal provisions concerning the organization and operation of the Labour Chamberes were practically modiflicated each year during the 1934-1938 period. A first important change was made on 20-th April 1934. Therefore, the number of respective Chambers was diminished from 20 to 14. Each Labour Chamber had branches in 3-7

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<sup>1</sup> The respective tensions were mainly caused by the measures, which were projected in order to ensure the payment of the foreign debt annuities and to restore the budgetary balance. The solution to overpass these financial difficulties, proposed in January-February 1933, was the implementation of the third curb of sacrifice. The above-mentioned austerity measure would imply another diminish with 10-12.5% of the wages and salaries of the persons employed in the public sector and of the pensions. But the intensification of the social tensions and the redefinition of the economic policy determinated the public authorities to give up the projected decrease of the wages, salaries and pensions.

counties. All the Labour Chambers were grouped in the Union of the Labour Chambers. Within a Labour Chamber, 3 sections were established, i.e. a) for Industry, b) for trade c) for artisans.

Another important change of the legislation concerning the Labour Chamber was made on 29-th April 1936 with the occasion of the adoption of the law on the establishment of the Higher Economic Council and the organization of the professional chambers. The above-mentioned normative act re-organized the Union of the Labour Chambers and maintained the right of the Ministry of Labour to nominate ad-interim commissions till the councils of administration of the Labour Chambers would be elected. Thus, the Labour Chambers tended to act as a complement to the trade-unions activity orientated for the protection of professional and economic interests of the workers, private clerks and artisans. Consequently, the numbers of the members of the Labour Chambers increased from 439272 in the 1933 year to 806 720 in the 1937 year (cf. Enciclopedia României vol. III).

During the 1936 year, other important normative acts for the labour market operation were adopted. On 30-th April 1936, the parliament adopted the law on the professional training and the handicraft exercise, which created premises for a sensible improvement of the organization of the professional training, development of the apprenticeship and a more active implication of the Labour Chambers in the certification of the professional knowledges of the artisans and workers.

On 22-nd August 1936, a decree-law on the organization of the Ministry of Labour, Health and Social Protection (MLHSP), redefined the role and objectives of the respective ministry. In this context, it was mentioned that the implementation of the international conventions concerning the industrial labour issues represented one of the major prerogatives of MLHSP.

The law for the development of the agriculture, adopted in March 1937, provided some measures concerning the protection of the agricultural workers. Thus, the compulsory work in agriculture was forbidden. The minimum price of an agricultural working day and the maximum level of the lease was fixed for three years by a county commission. The potential agricultural workers had to be registered by the rural mayoralities at least with 30 days before the beginning of the agricultural campaigns. The agricultural workers were recognized as qualified ones by the Labour Chambers, only after practical examinations were passed. In the same time, the landowner or the leaseholder had to take care on the health situation of the agricultural workers, which he employed.

Also, in March 1937, the parliament voted the law on labour for public use, which was marked by a corporatist vision. The government saw the labour for public use as a way to increase the solidarity among the different social classes and strata and also a form of

control the intellectual unemployment (D. Sdrobiş, 2012). In September 1938, under the conditions of the authoritarian monarchic regime, the Confederation of the Trade Unions (CGM) was dissolved. On 12-th October 1938, the law on the recognition and operation of the guilds of workers, private clerks and artisans was promulgated. The juridical personality of the guilds could be obtained through royal decree after the approval of the Ministry of Labour. The guilds had limited objectives such as the supervision of the implementation of the labour legislation, the exclusive right to conclude collective labour contracts, the right to nominate representatives in the Labour Chambers. The affiliation of guilds to international organizations was forbidden.

On 18-th September 1939, after the break-out of World War 2, a decree-law on the agricultural mobilization was adopted. The respective normative act gave to the public authorities the right to make requisitions of the active persons from the rural area in order to ensure the level of agricultural production issued from a tilling plan, established at the national level. Also, there were established Commissions of Agricultural Mobilization at county level and Agricultural Committees at the level of the rural communes. The reasons for the adoption of the above-mentioned normative act were the implementation of the law for the development of the agriculture adopted in the 1937 year, which aimed to support the middle agricultural exploitation and the limitation of the possible labour shortage caused by the foreseeable mobilization under the armed forces of an important part of the rural male active population.

### **3. The evolution of the employment model during the interwar period**

The major changes of the institutional framework of the labour, which were made in Romania during the interwar period mainly concerned the employment of the active persons within the urban area and non-agricultural branches. The reasons for the respective evolutions are related to the stimulation of the industrialization, the trade-unions activism and the obligation of the implementation of the international conventions of ILO. But during the analyzed period, the primary sector remained the most important for the employment of active persons. The 1930 population census showed that the weight of the primary sector in the total employed population was 78.2%, with only 1.0 p.p. (percentage point) lower in comparison with the 1912 population Census. The weight of the primary sector in the employed population was one of the highest registered in Europe<sup>1</sup>

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<sup>1</sup> According to G.G. Mileti, L. Colescu (1928) in 1920-1921, the respective weight was higher than 70% in Bulgaria (83.5%), Finland (70.4%), Lithuania (79.0%) and Poland (79.6%). The above-

**Table 1. Sectoral structure of the employed population at the Population Census of 1912 and 1930**

	%	
<b>Population Census</b>	<b>1912</b>	<b>1930</b>
Primary Sector	79.2	78.2
Scendray Sector	8.1	7.2
Tertiary Sector	12.7	14.6

*Computed after V. Axenciuc (1996)*

Between 1912 and 1930 the sectorial structural change of the employed population had a low intensity<sup>1</sup>. The causes of the respective evolution resided in the specific economic and social conditions, which occurred in Romania at the end of World War One. The most important mutations, which had to be implemented to obtain the social peace, on the hand, and to ensure stable economic development in the medium and long run, on the other hand, were: a) the adoption of an ample agrar reform and b) the support for carrying on of the industrialization process.

Thus, the agrar reform was essentially elaborated and implemented to meet the revendications of the most important part of the inhabitants from the rural area and also the promises of the political decidents during World War One. This way, the above-mentioned reform had mainly a social component. For these reasons, the land surface, which was expropriated from the great land-owners was distributed to a large number of peasants. In these conditions, the average surface of land received by a family was 2.3 ha. Hence, the importance of small farms sensibly grew. We note that the peasants received just land surfaces.

In this context, the capital, necessary for the future development of the newly established farms, severely lacked. Consequently, especially during the 1920s, the

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mentioned indicator was 58.3% in Hungary, 56.1% in Italy, 42.8% in France, 40.7%, in Sweden, 40.3% in Czechoslovakia and 36.8% in Norway. At the beginning of the 1930s the relative importance of the primary sector in the employed population was 80.0% in Bulgaria, 50.8% in Hungary, 47.3% in Italy, 35.7% in France, 35.3% in Norway and 28.3% in Czechoslovakia (cf. Enciclopedia României vol. III (1938)). Thus, we may conclude that, during the considered decade, the weight of the primary sector in the employed population decreased in European countries. The intensity of the respective process depended on both the type of agrarian reforms implemented in the first interwar years, the stage of the industrial development and the economic and social policies implemented by the national governments.

<sup>1</sup> The coefficient of the intensity of sectoral structural change of the employed population between 1912 and 1930 was 2.33%

productivity of the new farms was very low, and in many cases, their financial situation worsened <sup>1</sup>. During the 1929-1934 period, several laws on the conversion of the rural and urban debts and the circulation of the agricultural lands were adopted. Thus, during the late 1930s, we deal with the consolidation of the middle farms and to the social stratification of the peasantry.

The labour force employed in agriculture experienced some changes during the two interwar decades. During the first interwar decade, the employment model in the rural area remained a traditional one. The children were still attached to the parents and grandparents labour. Also, an important part of the rural population continued to hope that the small piece of land would provide a decent existence. The 1930 Population Census revealed that the weight of the female in the population employed in agriculture was 50.7% (cf. *Enciclopedia României* Vol. III). Also, the children were actively involved in the activities of the familial farms. Thus, the relative importance of the primary sector in the employed population appeared as overestimated. We note that the number of working days per person was very low. For these reasons, in many cases, the employment of the labour force in the agriculture was a precarious one.

During the 1930s the employment model of the agriculture experienced changes, which could not be ignored. Therefore, the consolidation of the middle farms favoured the social stratification of the peasantry and the increase of salaried labour. Also, diversification of the professional structure was manifest. Especially, the male active persons tended to have a second job, which was included in non-agricultural activities. This form of professional mobility had only a limited positive impact on the real incomes of the peasants' families.

The constant support for the carrying on of the industrialization process determined an important increase of the employment capacity of the manufacturing industry. The number of the workers and employees hired in the above-mentioned economic activity was 155292 in the 1919 year, 206552 in the 1928 year, 174227 in the 1930 year and 304470 in the 1939 year (cf. V. Axenciuc, 1992). Hence, the average rate of growth was 3.22%, during the 1920-1928 period and 3.59%, during the 1929-1939 period. In the

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<sup>1</sup> During the first interwar years the land reforms were not implemented not only in Romania, but also in Yugoslavia (1919), Czechoslovakia (1919), Poland (1919), Hungary (1920), and Bulgaria (1921). Greece has two waves of land reform in 1917 and 1922, respectively. A Teichova (1985) remarks that in almost all the Central and South-Eastern European countries the above-mentioned reforms were seen as a solution to the social tensions caused by the great economic difficulties registered at the end of the World War One. In the same time, the above-mentioned countries faced important constraints concerning the capital available for both the modernization of the agriculture and the development of the industry.

case of the extractive industry, we note a slower dynamics of the personnel. Therefore, the above-mentioned indicator increased with an average rate of 3.13%, during the 1922-1928 period and decreased with an average rate of -0.16%, during the 1929-1939 period<sup>1</sup>

The notable growth of the number of jobs supplied by the industry had an important impact on the labour market operation. The qualification level improved and the role of the market mechanisms extended. At the end of the 1930 year, the proportion of the wage-earners in the employed population was 10.4% at the level of the whole economy, but 90.2% in the extractive industry and 50.3%, in manufacturing industry (V. Vasile, 1995).

The increase of the labour demand in industry favoured the male component of the labour supply. The male persons represented 80% of the workers and employees hired in industry and practically all of the management personnel (V. Vasile, 1995). The exception was the textile industry, where the relative importance of the females was higher, due to the features of the technological processes.

In the long run, the changes operated in the legislative framework tended to reduce the tensions between the trade-unions and the employers. The length of the strikes was relatively low and the revendications of the trade-unions were accepted by the employers in many cases (V. Vasile, 1995). The features of the labour relations depended on the phases of the economic cycles. They were more tensioned during the crisis period. Although the legislative framework provided important mechanisms for the protection of the working conditions and of the salaried rights of the workers and employees, there were situations when the management abuses could not be stopped. Therefore, the number of contraventions to labour law was 8166 in the 1928 year, 7282 in the 1933 year and 9273 in the 1937 year (cf. Enciclopedia României vol.III).

The employment model of the tertiary (service) sector is a very complex one because within the respective sector very heterogeneous categories of employed were grouped. Therefore, considering the data of the 1930 population census, the commercial services (trade, credit and transportation) contributed with more than 5% to the total active population employment. The jobs supplied by the public institutions represented 4.6% of the employed population. The above-mentioned proportion is lower in comparison with that registered at the 1912 Population Census, 4.92%, respectively.

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<sup>1</sup> According to V. Axenciuc (1992) the number of the workers and employees hired in the extractive industry was 62989 in the 1921 year, 78153 in the 1928 year, 64627 in the 1930 year and 65216 in the 1939 year.

The services activities included also two special professional categories, i.e. the free professionalists and the domestiques. According to the data presented by V. Axenciuc (2012) and the 1912 and 1930 Population Census, we can estimate that the proportion of the free professionalists in the whole active employed population increased from 0.12% to 0.25%, while the proportion of the domestiques decreased from 2.85% to 2.14%.

#### **4. The disequilibria between the labour supply and labour demand**

The employment model mentioned above was marked by the important discrepancies between the labour supply and labour demand from both quantitative and qualitative point of view. One of the main causes of the respective forms of the disequilibria of the labour market was the relatively slow development of the employment of the industry in comparison with the dynamics of the active population. As we mentioned before, between 1919 and 1939, the average rate of growth of the number of jobs created in the industry was impressive. But the respective dynamics was considerably slower in comparison with the evolution of the active population. Therefore, H. Roberts (1951), cited by M. Kasopis (2012 a), appreciated that during the 1929 – 1938 period, in Romania, the average number of jobs generated by industry was about 10000 per annum, while the yearly growth of the active population oscillated between 100000 and 200000 persons.

The most important part of the growth of the active population was registered in rural areas. Hence, the villages were more and more confronted with the phenomenon of agrar overpopulation. Especially, during the late 1930s economic and sociological studies revealed the chronic underemployment of the labour force in agriculture. V. Axenciuc (1996) shows that in the 1939 year, the degree of the use of disposable working time in agriculture was about 68%.

The occurrence of the agrar overpopulation, coupled with the stratification of peasantry caused social and economic tensions in the village's world, on the one hand, and stimulated internal mobility of an important part of the rural active persons towards the urban areas, on the other hand. The internal mobility tended to increase during the second half of the 1930s, in the context of economic recovery. But this territorial mobility could not prevent the decrease of urbanization from 22.22% in the 1920 year to 20.64% in the 1928 year and 18.17% in the 1939 year.

Within the non-agricultural activities, the type of disequilibria between the labour supply and labour demand was dependent on the phases of the economic cycle. Thus, the



data registered by the Placement Offices show that jobs supply<sup>1</sup> was higher than the job demand during the 1922-1926 period. The ratio job demands /job supplies oscillate around 84% (table 2).

**Table 2. Indicators of the labour market disequilibria registered by the Placement Offices during the 1922-1938 period**

Period	(Djob/Sjob) <sub>av</sub>	(Pjob/Djob) <sub>av</sub>	(Pjob/Sjob) <sub>av</sub> %
1922-1924	84.8	73.8	62.5
1925-1926	83.9	80.6	67.6
1927-1929	113.4	68.2	77.3
1930-1932	136.5	61.3	83.5
1933-1935	113.1	75.0	84.6
1936-1938	93.2	83.2	77.4

N.B. (Djob/Sjob)<sub>av</sub> = average of the yearly ratio demand of jobs/supply of jobs registered by the Placement Offices

(Pjob/Djob)<sub>av</sub> = average of the yearly ratio placement of jobs/demand of jobs registered by the Placement Offices

(Pjob/Sjob)<sub>av</sub> = average of the yearly ratio placement of jobs/supply of jobs registered by the Placement Offices  
Computed after Romania's Statistical Yearbook, 1930-1940

During the 1927-1929 period, the ratio (Djob/Sjob)<sub>av</sub> was higher than 100% and revealed that the problem of unemployment could not be ignored by the public authorities. The above-mentioned ratio sensibly grew between 1930 and 1932, when Romania faced the most difficult phase of the economic crisis. From 1933 to 1935 the ratio (Djob/Sjob)<sub>av</sub> was very near to the value registered between 1927-1929.

During the 1936-1938 period, the number of jobs supplied by the Placement Offices was higher than the registered number of jobs demands. This a proof in favour of the idea expressed in Enciclopedia României vol.IV (1943) that, in fact, during the economic boom of the late 1930s, unemployment was a structural one.

Most of the jobs supplied by the Placement Offices were low-skilled ones. The services personnel (domestics) had the highest weight in the jobs supply (table 3). This fact was remarked by the Enciclopedia României vol. IV as a deficiency of the Placement Offices activity. The sum of the weights of the other three low-skilled (agricultural workers, forestry workers, low-skilled industrial workers) was higher than 37%.

<sup>1</sup> The yearly average number of jobs supplied by the Placement Offices was 87832, between 1922 and 1923, 151 432, between 1924 and 1926, 126415, between 1927 and 1929, 114320, between 1930 and 1932, 121581, between 1933 and 1935, and 119946, between 1936 and 1938.

**Table 3. The structure of the jobs supplied by the Placement Offices during the 1926-1938 period**

Period	Services personnel (domestics)	Agricultural workers	Forestry workers	Low qualified industrial workers	Other jobs
1926	26.8	17.1	23.8	10.2	22.2
1927-1929	35.9	19.8	14.9	8.0	21.4
1930-1932	43.4	20.0	8.3	9.0	19.2
1933-1935	40.7	17.7	9.7	12.1	19.8
1936-1938	36.1	16.6	11.3	17.0	19.0

%

Computed after Romania's Statistical Yearbook, 1930-1940

The Placement Offices mainly registered the residual (low-skilled) jobs supply and this feature explained the low placements/jobs supplies ratios especially in the context of economic recoveries<sup>1</sup>.

The sizes of the jobs demands /job supplies ratios registered by the Placement Offices highlighted that, from 1927, unemployment became an important form of the labour market disequilibria<sup>2</sup>. The average number of registered unemployed persons was 10535, in the 1928 year, and 23367 in the 1930 year. The peak of the respective indicator (38958) was recorded in 1932, in the context of the acute phase of the economic crisis. Between 1933 and 1938, the number of registered unemployed continuously diminished from 29060 to 7268.

The unemployment was marked by seasonality. As a rule, the averages of the coefficients of seasonality were higher than 1, during the 1-st quarter. The above-mentioned indicators were lowest during the 3-rd quarter (table 4).

<sup>1</sup> We note that, as a trend, the metalurgical, electrical and mechanical industry was the economic activity with the highest number of medium to high-skilled industrial jobs supply registered at the Placement Offices. The weight of above-mentioned industrial sub-branch in the total jobs supply was 4.3% in 1926, 4.1% during the 1927-1929 period, 3.0%, during the 1930-1932 period, 3.8% during 1933-1935, and 4.4% during the 1936-1938 period. The respective weight diminished in the context of economic recession and grew in the context of economic recovery.

<sup>2</sup> D. Sdrobiş (2012) shows that the public authorities considered unemployment as an important social problem beginning with the 1927 year when mass lay-off was recorded in the metallurgical industry. Consequently, in the next year, the first official statistical data concerning the unemployment was published.

**Table 4. The averages of the coefficients of seasonality of the unemployment during the 1928-1938 period**

Period	1-st Quarter	2-nd Quarter	3-rd Quarter	4-th Quarter
1928-1929	1.59	0.96	0.64	0.81
1930-1932	1.07	0.96	0.85	1.13
1933-1935	1.54	0.94	0.70	0.81
1936-1938	1.63	0.90	0.59	0.88

%

*Computed after Romania's Statistical Yearbook, 1930-1940*

The distribution of the coefficients of seasonality revealed the impact of agriculture on the labour market operation. The labour demand generated by agriculture sensibly increased during the summers and the early autumns and abruptly diminished during the winters. The exception from the rule was registered during the 1930-1932 period, when the number of unemployed persons experienced a trend of growth, because of the economic crisis.

The number of registered unemployed persons was very low in comparison with the active population. If we take into account the data of the 1930 Population Census the rate of unemployment was 0.22% if we consider the whole active population and 1.28% if we consider only the urban population. But due to various reasons, only a part of the active persons who had no jobs was registered as unemployed ones. The unemployment was a very serious problem especially during the economic crisis when some left-orientated newspapers appreciated that the real number of the unemployed persons was about three times higher in comparison with the officially registered one.

During the economic crisis, the incidence of unemployment was manifest not only in case of the low-skilled persons or the former medium-skilled industrial workers but also in the case of the university graduates. The intellectual unemployment phenomenon could not be ignored. The main cause of the respective negative evolution was the fast expansion of the higher education during the first interwar decade, especially in the theoretical and humanistic university fields (law, philosophy, literature, theology, higher economic and social studies)<sup>1</sup>. Most often, during the early 1920s, an important part of

<sup>1</sup> The excessive proportion of the students enrolled at the theoretical and humanistic university fields was remarked by the representatives of the university staff, even in the late 1920s. In this context, the Parliament adopted the law for the establishment of the Academies of Agronomic Higher Studies (1929). A comprehensive reform of the higher education in Romania was adopted in 1932, in the context of the acute phase of the economic crisis. Among the implicit objectives of the above-mentioned reform, the limitation of intellectual unemployment was an important one.

the graduates of the above-mentioned faculties worked in the public administration or entities financed by the state budget. But the austerity measures adopted during 1930-1932 led to a sensible decrease in the number of employees in the public sector. During the economic crisis, financial and banking activities also experienced significant decreases in employees with higher education.

During the mid and late 1930s, intellectual unemployment maintained even in the context of economic recovery. To reduce the negative consequences of the respective phenomenon, the public authorities initiated a series of legislative measures. From the 1935 year, the number of the students admitted in the higher education institutions, approved by the Ministry of Public Instruction, was sensibly limited, especially in case of the theoretical and humanistic fields. Also, during the late 1930s, the public authorities paid important attention to the development of the technical secondary and higher education institutions to reduce the mismatch between the educational supply and the labor market requirements<sup>1</sup>.

Other measures implied the identification of the intellectual unemployment dimension and the creation of an institutional framework which could ensure the implication in useful social activities of the unemployed university graduates. Therefore, in March 1937, the Institute of Statistics carried on a Census of the intellectual unemployed persons<sup>2</sup> and the Parliament adopted the law of the labour of public use, as we mentioned before<sup>3</sup>. But the evolution of socio-political situation during the 1937-1939

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<sup>1</sup> In 1936, a law on the organization and operation of industrial secondary education was adopted. In March 1937, the Parliament voted the law on the concentration of the engineers training in the Polytechnic Schools, which were established in Bucharest, Timisoara and Iasi. The changes of the laws concerning the higher education continued in 1937 and 1938 and one of the main targets of the respective changes was the improvement of the professional training of the students and their implication in economic and social activities. Special attention was dedicated to the development of the Bucharest Polytechnic School.

<sup>2</sup> D. Sdrobiş (2012) shows that the data of 7-th March 1937 Census revealed that 6197 university graduates were unemployed. Despite serious methodological and implementation deficiencies, the above-mentioned Census was an innovation in the European context during the 1930s and created an image of an important aspect of the labour market operation. Therefore it is possible to estimate that the rate of intellectual unemployment was about 10%. We note that the respective category of unemployed persons represented 35.6% of the total number of unemployed persons, which were officially registered in March 1937.

<sup>3</sup> An implicit objective of the law of the labor for public use, assumed by the NLP government, was the integration into social-cultural activities of the most important part of the unemployed university graduated persons. Thus, the 7-th March 1937 Census, would offer the statistical data concerning the size of the intellectual unemployment and its territorial distribution. On this basis, the local public

period impede the implementation of effective measures designated to limit intellectual unemployment.

## **Conclusion**

The operation of the labour market in interwar Romania was sensibly influenced by the three factors: a) the agrar reform of 1921, which represented the end of the first transition to the market economy, b) the intensification of the industrialization process and c) the implementation of the international conventions of the International Labour Organization. In this context, we deal with a dual employment model. The agriculture remained the most important economic branch for the employment of the active population and the generation of the gross added value. Even the growth of industrial production was impressive, the labour demand experienced moderate growth in comparison to the dynamics of the active population. The modernization of the labour market institutions was obtained especially in the non-agricultural economic branches.

Considering the economic and political cycles, on the one hand, and the changes of the institutional framework and the features of the labour market disequilibria, on the other hand, we can reveal some differentiations of the labour market operation during the two interwar decades. Therefore, during the first interwar decade (1919-1928), the public authorities implemented important reforms of the labour market institutions. Most of the above-mentioned reforms were required by the extension of the industrial activities and also represented implementation into the national legislation of the international conventions adopted by the International Labour Organization. The changes of the labour laws contributed to the alleviation of the social tensions and favoured the reconstruction of the economy during the early 1920s and the fast economic growth during the 1925 – 1927 interval.

The second interwar decade (1929-1939) was a more complex period for the labour market operation. The features of the labour market operation sensibly changed and depended on both on the fluctuation of the economy and the ideological orientation of the governments. Thus, the pace of the changes in the institutional framework of the labour market was moderate in comparison to the 1919-1928 period. The institutional changes included not only the implementation of the international conventions of the International Labour Organization but also normative acts designated to provide social protection of the unemployed persons during the 1929-1933 crisis and the improvement

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authorities would initiate actions to mobilize the respective category of unemployed persons, improve the government prestige and sensibly diminish the influence of the far-right political movements.

of the skill level of the employees during the 1934-1939 economic recovery. At the end of the 1930s, some of the changes in the labor law were made in a corporatist vision.

The unemployment in the urban areas and the agrar overpopulation became the main forms of the labour market disequilibria. The features of unemployment were dependent on the economic situation. During the economic crisis, the lack of labour demand caused a sharp increase in unemployed persons and serious social tensions. In the second half of the 1930s, we deal with structural unemployment, despite the efforts of the public authorities to limit the respective phenomenon. The employment model of the agriculture experienced some changes determinate by the social stratification and the extension of the wage labour and the adoption of some measures for the protection of the agricultural workers. But the above-mentioned institutional changes did not sensibly diminish the underemployment of the rural active persons.

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