

THE EVOLUTION OF ROMANIA'S LABOR MARKET, DURING THE LAST 20 YEARS

Vădăsan Ioana *

West University of Timișoara Faculty of Economics and Business Administration

Părean Mihai Olimpiu

West University of Timișoara Faculty of Economics and Business Administration

In this paper, the authors will try to analyze the evolution of Romania's labor market, in the last nearly 22 years. More precisely, we will analyze the evolution of the number of employees, the number of pensioners, and the number of unemployed workers, in the mentioned period of time, and we will draw some conclusions.

We consider that the dynamic of the labor market is an important indicator, showing both the economic situation, as well as its future evolution; this is why we have chosen to focus our study on it.

In order to do so, using the data published by the National Institute for Statistics, and the National Agency for Labor Force Employment, we have noticed worrying evolutions for Romania's labor market: a decrease in the number of employees, an increase in the number of unemployed workers and pensioners, as well as an increase in the number of those who, although able to work, do not have and do not officially look for a workplace. In fact, this is a limit of our research, because those persons either work (abroad, or on the "black" market), either do look for a workplace, but are not registered as unemployed workers. Another limit of our research is related to the insufficient explanations related to the evolution of the different indicators. But our purpose was to offer an overview of the labor market for the last nearly 22 years, and to suggest some measures to be taken in the future.

In order to do that, we have analyzed the evolution of the number of employees, the percentage of employees in the population able to work, the evolution of the number of unemployed workers, the evolution of the number of pensioners. Also, we have made a comparative analysis of the evolution of the number of employees and of the number of pensioners.

Through this paper, we have tried to draw attention upon the worrying phenomena taking place on Romania's labor market, as well as upon the fact that our country should take urgent measures in order to increase the number of employees in the economy.

Keywords: labor market, employees, pensioners, unemployed workers, Romania

JEL Classification: E24 Employment, Unemployment; E 26 Informal Economy, Underground Economy

Introduction

During the last nearly 22 years, Romania has gone through major and complex changes, economically, socially or politically. The labor market has been through many changes, as well. Phenomena like unemployment, unknown 22 years ago, have emerged.

But there have been other major changes. On Romania's labor force market, during the last 20 years, a constant and worrying decrease in the number of employees has been registered. If, in 1990, the number of employees was 8 142 000 persons, in 2010, the number of employees was 4 400 000 persons. And the decreasing tendency is, most probably, continuing in 2011, mainly due to the crisis. In the same time, Romania has registered an important increase in the number of pensioners (in 2009, the number of pensioners was with 56% higher than in 1990).

Many studies regarding the labor market have been done, and many will be done. In this paper, the authors tried to update the situation of Romania's labor market, analyzing the data available

for 2010. Hereinafter, we will analyze the evolution, between 1990 and 2010, of the number of employees, the number of unemployed workers, the number of pensioners. Also, we have made a comparative analysis of the number of employees and of the number of pensioners.

The number of employees

In Romania the number of employees is continuously decreasing. The evolution of the number of employees is presented in Table 1.

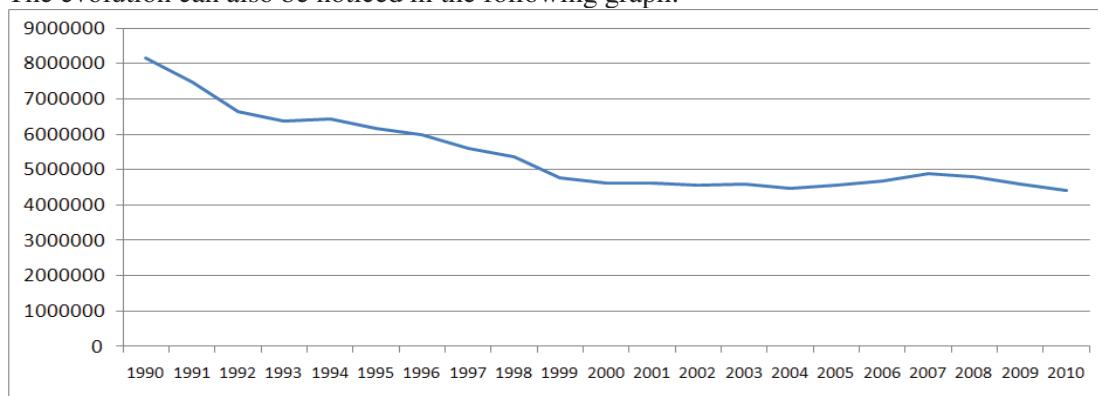
Table 1. The evolution of the number of employees in Romania, 1990-2010

Year	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Nb empl oyees	8142	7483	6627	6385	6438	6160	5939	5597	5369	4761	4623
Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	
Nb empl oyees	4619	4568	4591	4469	4559	4667	4885	4806	4595	4400	

Source: National Institute for Statistics

As one can notice, the evolution is decreasing; in 2010, the number of employees represents only 54% in comparison to the year 1990.

The evolution can also be noticed in the following graph:



Source: realized based on data from the National Institute for Statistics

Graph 1. The evolution of the number of employees in Romania, 1990-2010

This worrying evolution has many causes:

- A pronounced aging population;
- High migration of the labor force (abroad migration, but also from the urban area to the rural area);
- Undeclared work;
- Economy's incapacity of generating enough work places, after losing traditional markets;
- The high number of retirements (anticipated retirements, illness-based retirements), during the last 20 years;
- Massive lay-offs, in many economic branches, during the last 20 years;
- Professional rigidity, difficult, sometimes impossible reconversion of the labor force.

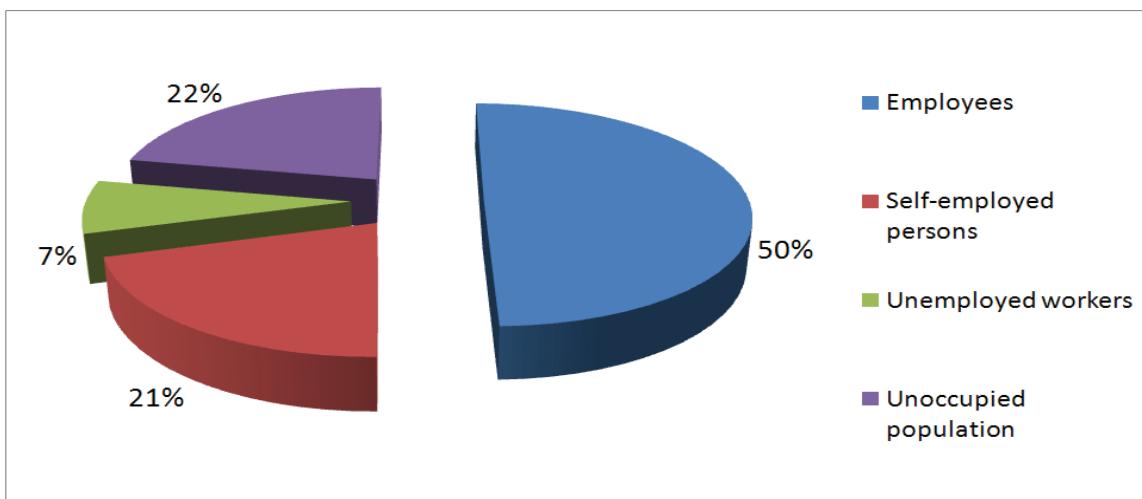
The migration phenomenon is a complex one, taking into consideration the factors determining it and its consequences. Unlike the natural movement of population, the migration is more difficult to be statistically registered, in order to reproduce as accurately as possible the population's movements. For instance, during the 2002 census, one of the important indicators was represented by the population's residence change, in comparison to the birth county. This indicator reflects the situation, at a given moment, of migrants, without indicating whether, in time, there have been other residence changes. The typology of those movements can be seen hereby:

-Definitive movement (residence change);
 -Temporary movement (no residence change). These movements can be seasonal or commuting. If we take into consideration destination, the migratory movements can be classified in internal and external movements.

If, until 1989, the most important migratory flow was determined by industrialization, the effect being a high rural exodus (the industrialization has overlapped the structural transformation of the agriculture, through cooperativization, which generated a boost of the labor force), after 1989, one has noticed a come-back flow for a part of the urban population, due to social issues generated by the economic reorganization.

After 1990, in Romania, the external migration has become a social undertaking phenomenon. During this period of time, migration had multiple forms: family reunification, ethnic migration, business migration, increasing students' international mobility, increased brain-drain (especially in the area of IT), or labor migration.

Another worrying phenomenon is represented by the increased percentage of those who, although being able to work, do not have and do not look for a workplace (according to official statistics). If we subtract the employees, the self-employed persons and the unemployed workers from the population able to work, the result is represented by over 2 million persons who do not have a workplace, and who, theoretically, are not looking for a workplace (graph 2).



Source: realized based on data from the National Institute for Statistics and from the National Agency for Labor Force Employment

Graph 2. The different categories of the population able to work

Based on graph 2, we can notice that, from the total population able to work (approximately 9 243 000 persons), some 50% are employees, 21% are self-employed persons, 7% are unemployed workers, and 22% aren't in any category. But where are those people?

Some of them are, most probably, abroad, working, others work on the "black" market, while others are looking for a job, without being officially registered as unemployed workers.

The number of unemployed workers

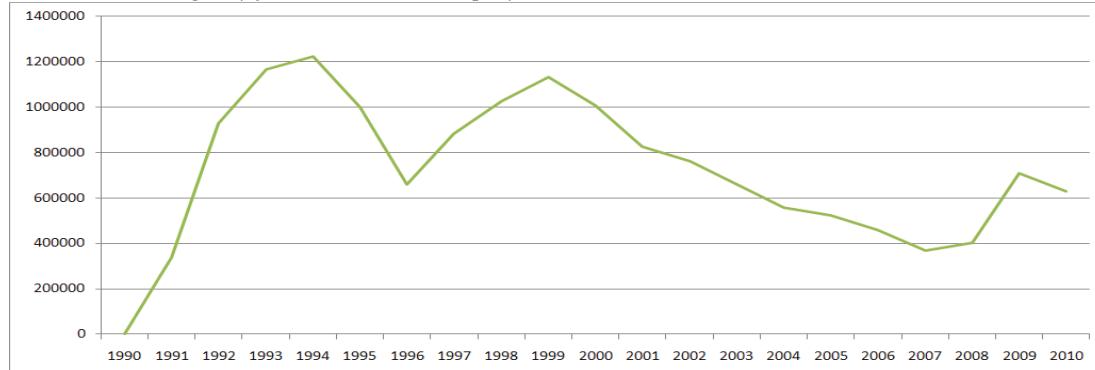
Before 1989, as it is well known, there was no unemployment. Not officially, at least, since every person able to work had the legal obligation to work. In fact, it was a hidden unemployment, taking into consideration the productivity of many employees.

The unemployment phenomenon became known in Romania starting with 1990, when the transition to a market economy has led to the closing of many enterprises. The evolution of unemployment after 1989 (table 2, graphic 3) is in tune with the reforms' evolution, and the Romanian economy's evolution.

Table 2. The evolution of the number of unemployed workers in Romania, 1990-2010

Year	1991	1992	1993	1994	1995	1996	
Nb unemployed	337440	929019	1164705	1223925	998432	657564	
Year	1997	1998	1999	2000	2001	2002	2003
Nb unemployed	881435	1025056	1130296	1007131	826932	760623	658891
Year	2004	2005	2006	2007	2008	2009	2010
Nb unemployed	557892	522967	460495	367838	403441	709383	629960

Source: National Agency for Labor Force Employment



Source: realized based on data from the National Agency for Labor Force Employment

Graph 3. The evolution of the number of unemployed workers in Romania, 1990-2010

Thus, 1993, 1994 or 1999 have been the most difficult years of the transition, characterized by an increase in the number of unemployed workers (graphic 3). Also, 2009, characterized by a negative economic growth, due to the crisis, has registered an increase in the number of unemployed workers.

The emergence and the increase of unemployed workers can be explained by the followings:

- Non-adjustment of labor force professional qualification, to the demands of the labor market;
- Professional rigidity, difficult, sometimes impossible reconversion of the labor force;
- The closing, after 1989, of numerous enterprises;
- The reorganization that took place in the Romanian economy, during the last 20 years.

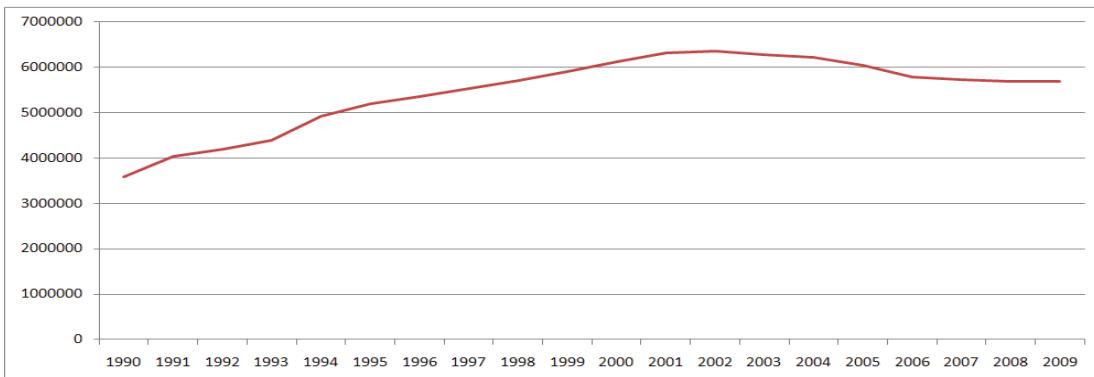
The number of pensioners

Another worrying evolution regards the definitive exit from the labor market, through retirement. Table 3 and graph 4 show that the number of pensioners has increased by 59% in 2009, in comparison to 1990.

Table 3. The evolution of the number of pensioners in Romania, 1990-2009

Year	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Nb pensioners	3577	4034	4200	4392	4917	5187	5352	5524	5702	5894
Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Nb pensioners	6110	6311	6342	6274	6205	6042	5785	5726	5685	5689

Source: National Institute for Statistics



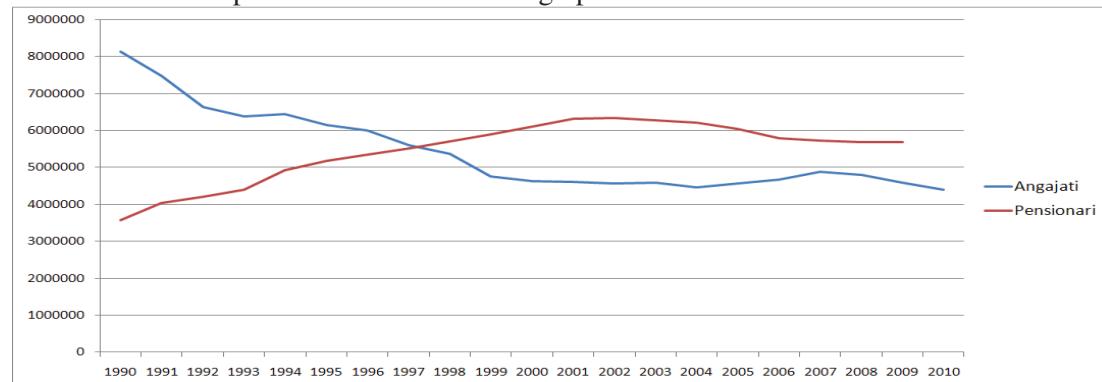
Source: realized based on data from the National Institute for Statistics

Graph 4. The evolution of the number of pensioners in Romania, 1990-2009

The increase in the number of pensioners has several explanations: mainly, the phenomenon of demographic aging, available everywhere in Europe; but, besides this, the situation in Romania has some particularities:

- The high number of retirements, immediately after 1989 (anticipated retirements, illness-based retirements);
- The difficult transition towards a functional market economy has led to the loss of workplaces for persons who were towards the end of their employment; because it has been impossible for them to find another workplace (due to the economic situation, and to their age), they have decided to retire;
- After Romania became a NATO member, in 2004, our country had the obligation of reducing its military body to NATO standards, as dimension and preparation; this led to a reduction, often by retirement, of the military personnel;
- The “baby-boom” generation, born after the Second World War, has reached the retirement age; this will lead to a new increase in the number of pensioners, thing that represents a major risk for the national economy.

But even more worrying is the proportion between the number of employees and the number of pensioners. If, in 1990, each pensioner was supported by 2.27 employees, in 2009, each pensioner is supported by only 0.81 employees. This inversion between the number of employees and the number of pensioners can be seen in graph 5.



Source: realized based on data from the National Institute for Statistics and from the National Agency for Labor Force Employment

Graph 5. The evolution of the number of employees and the number of pensioners in Romania, 1990-2009

This worrying phenomenon is an explanation for the deficit of the pension fund. Even more worrying is the fact that the “baby-boom” generation approaches or has already reached the retirement age, while, on the labor market will enter the generation born after 1989, characterized

by a decreasing birth rate. Which means an increased number of pensioners and a decreased number of those able to work.

Romania's population during the next decades will depend upon the parallel evolution of the birth rate and the mortality rate, as well as upon the level of net external migration (immigration and emigration). If the present values of fertility and of life expectancy remain constant, this would lead to a catastrophic acceleration in the demographic decline.

Conclusions

Romania's population is declining due to the constant reduction in the birth rate, to external migration and to the increase of general mortality; all these together lead to a demographic aging process, which has started to deepen after 2005, when the generations born after 1990 have entered the category of population able to work (15-59 years old). However, the increased dependence ratio of the elderly population will not be very high until 2027, when the "decreed generations", born after 1967, will reach the category of those being over 60 years old.

In this moment, Romania has too few employees, taking into consideration the total population, and the population able to work. Also worrying is the fact that the economic growth period of time (2002-2008) has created relatively few working places (238 000). Within the next years, solutions are needed in order to bring the "black" labor market to the surface, for several reasons: those people must contribute to the state budget; they must benefit from the unemployment benefit, or medical health care services; they must benefit from a pension, after retirement. Romania must take the necessary measures in order to increase the labor force employment rate. Nowadays, the employment rate is 58%, while the objective of Europe 2020 Strategy is 75%.

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