

# ASPECTS OF LABOUR MARKET IN ROMANIA POST-ACCESSION

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## **Abstract:**

*The purpose of research is to analyze the labor market in Romania in the context of EU integration, and improve its flexibility. The main objective is to identify methods of investigation, avoid or mitigate the problems of the black labor market of Romania as a member state of the European Union, with emerging market, with perspective of full integration into the labor market in the European Union.*

**Key words:** labor market, European Union, black labor market, Romania

**JED Classification:** O52, E24

## **Introduction**

Romania's labor market has undergone profound transformations generated by economic reforms, influencing directly on the human factor: its quality, natural population decline, accelerating migration, reaching the final. We believe that they are caused by lowering the birth population and the population of working age (Bucur I, 2010).

In the economic transition, the volume of employment in Romania fell almost continuously, and the distribution of its branches and sectors has changed radically. In order to achieve a thorough analysis of this problem is interesting to see what conclusions can be drawn from a study conducted by the Government through the Ministry of Labour, Family and Equal Opportunities in 2006, the study which focused on labor market developments occupations work in Romania for 2010 (Pana 2009).

In 2010, the Ministry of Labour, Family and Social Protection Directorate employment policy, initiated a project to study, conducted by the National Institute for Scientific Research on Labour and Social Protection, with the Center for Urban and Regional Sociology. It was intended to bring the analysis and knowledge of the real situation of the Romanian labor market, such as actual and planned change in the structure of employment system. The study of this kind was held in Romania for the first time, financed under a World Bank loan. It was for the first time, when this ministry used scientific-methodological instruments of maximum novelty for national research, of European level, in the process of improving the quality of policies designed to increase employment.

Above mentioned objectives of the study were: configuring the trains for the last 20 years regarding the Romanian occupational system, knowledge the impact of technological and organizational change on labor content, the analysis of degree correlation between demand and supply of labor for local employment agencies, occupational development of the first monograph representative for each economic sector, establishing training needs of staff in Romanian companies, trends in Romanian employment system in the year 2010 to achieve these objectives at national level were applied innovative methods and complex, for example investigation of 1,100 companies from 8 regions, possible statistical error of  $\pm 3\%$ .

Simultaneously with increasing labor market flexibility is necessary to improve the level of protection for the employees, including the individual responsibility on their efforts to find a job. From this point of view, an important role is the Public

Employment Service (PES) which will refocus active measures on groups of unemployed people who are reluctant to get involved in activation programs or who encounter difficulties in finding a employment by increasing the attractiveness of jobs. Will be developed tailored assistance services for the unemployed, especially for long-term unemployed, youth and vulnerable groups. For older workers looking for a job are provided including training services. Improve services offered by PES will be supported by financial schemes under POS DRU.

With regard to social security, by amending the legislation on unemployment insurance system, the calculation of unemployment benefits was changed so that allowance is currently greater replacing lost wages of workers. Thus, taking into account the number of years of contribution to the unemployment insurance system expects this calculation method in the future lead to a more careful assessment of the relationship between cost and benefit of seeking employment and the presence on higher labor market(Dobrota N., 2007)..

To reduce the pressure on public spending in the social insurance fund for unemployment, was initiated the program concerning the guaranteed minimum income (GMI). This program creates the connection with the social assistance system by formulating a complex objective: to promote employment in order to reduce poverty and in particular the trend towards extreme poverty. The program goal is ensuring global household incomes, on the one hand by stimulating work, the existence of a household member who works leads to increased social aid entitlement by 15%, and on the other hand by empowering family members has to perform some work community, without which the assisted person loses the right to social assistance. In addition, the grant of GMI represents a complementary measure to the granting of other benefits such as medical insurance, emergency aid, aid for heating. The last regulations require reassessment of conditions for social assistance, the purpose of verifying net incomes and household goods available (Bondoc, 2012).

Increased security in employment concerns not only the intervention component, but also the prevention, which involves establishing responsibilities in employer employee relationship.

In Romania there is a system for determining the minimum wage and the opportunity to establish/negotiate monetary compensation for loss of employment. Currently it is seeking to adjust the baseline for calculating the minimum wage as a basis for negotiating collective agreements.

Simultaneously, there were new regulations on how to establishing the criteria of representativeness of organizations of employers and workers. These modifications will contribute to improving tripartite and bipartite social dialogue. It will also be encouraged to improve the system of wage bargaining in collective agreements and individual employment so that they reflect the training and work experience of the employee (L Gregory, 2010).. The mandatory inclusion in collective agreements clauses on training as well as compensation for termination of individual employment contract, are measures that ensure a certain level of security for the employee, but also better chances of reintegration on the labor market.

### **Materials and methods**

In the following, we propose a economic-mathematical model of the labor market security. Subject analysis mixing parameters labor market and reverse the effects of parallel black labor market. It is considered as a crucial vector the industrial production and services as major sectors that influence increases and decreases in demand for jobs.

By analyzing the following graph it can be seen speculation imbalances in the economy, affecting growth and production capacity that can be drawn from the relations:

$$P_2 > P_1 < P_3 \quad \text{results} \quad C_2 > C_1 < C_3$$

where: P1, P2, P3 – industrial production;  
 O1, O2, O3 – the offer  
 C1, C2, C3 – job demand.

This relationship shows that the demand for jobs in the formal labor market is directly proportional to the size of industrial production and services plus FDI absorbed by the economy.

On the black market labor, the supply of jobs increases in the same rhythm with the decreases in industrial production, services and foreign direct investment. It speculates economic imbalances to increase revenues from undeclared work.

$$(-P_2) > (-P_1) < (-P_3) \quad \text{results} \quad O_2 > O_1 < O_3$$

From the analysis of the two relations we can see that the incomes from black market labor increases proportionally with decreasing revenues from the formal labor market.

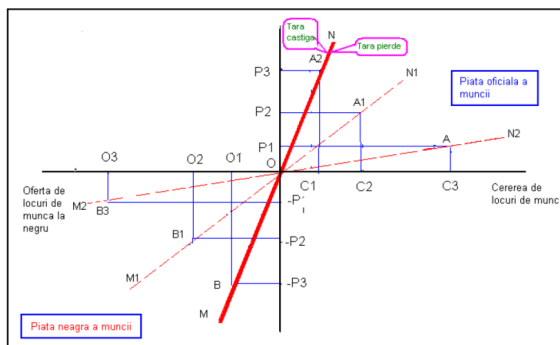


Figure No.1. The influence of economics imbalances on labor market

It can be seen that the line MN moving downward to the right in industrial output from P3 to P2 and P1 increases the demand for jobs in the formal market due to very low absorption of jobs. At the same time the movement of the line MN in the black labor market increases job offer from O1 to O2 and O3. This shows that the decrease in production volume and the formal labor market services generate proportionally increasing the supply on the black market. In conclusion, as the supply of jobs on the black market labor increases from B to B3 in relation to the decrease in industrial production.

In this economic climate, economic formulate mathematical relationship volumetric control to secure labor market. When industrial output evolves from P3 to P1, the country increase the country's economic risk and the volume of industrial production increased from P1 to P3 resulting in less supply of jobs on the black market labor from B3 to B increase economic efficiency of the country. These phenomena are given positions of movement of the line MN in relation to production volume.

In this economic climate, was formulated the economic-mathematical relationship of volumetric control for securing the labor market.

$$V_{pr/s} = \frac{v_{pr/zi} \pm 5\%}{N_{is}}$$

$V_{pr/s}$  - volume of industrial production expressed in number of pieces, kg, liter, meter, square meters etc.

$V_{pr/zi}$  - total volume of production per day, expressed in number of pieces, kg, liter, meter, square meter, etc.

$N_{is}$  - total number of directly productive employees.

By applying this system to report production volume establishes a strict control on the labor market by reducing the maximum undeclared work. This formula will streamline the state budget increased revenue, decreased social problems and ensure a decent wage labor market system.

For the services required monthly reporting of employee work schedules to control territorial institution reports work and making changes without its consent and legal documented evidence.

## Results and discussions

In the last 20 years the labor market, during the process of its evolution, experienced numerous changes. Essential dynamics is registered in the group of skilled workers in agriculture, forestry and fishing with reduction of 1.58 million people in the period from 1977 to 1992 and 2.14 million - during the years 1992 to 2002; the group of technicians, foremen and assimilation face cutbacks and group of specialists with intellectual occupations extremely small growths.

During the period of economic restructuring, manufacturing staff experienced significant losses, namely inside the group of qualified specialists, and inside the tertiary sectors of the national economy (trade, hotels and catering, banking, education, health and social assistance, etc.) the manpower increased, which highlights one direction of the Romanian occupational system through Europe.

The economic restructuring process caused major changes regarding the type and content of occupations, influencing the emergence of many new occupations and modifying existing ones. But regardless of the types of occupations, most of them felt changes in the content of activities using modern computing techniques, the technologies and new organizational structures of enterprises, management and communication has become more valued in all occupations.

The new directions of activities on market develop with high velocity, with high quality level requirements necessary skills, representing the early trends of evolution by raising the level of quality in the provision of services.

The enterprises in the field of manufacturing and mining, storage and transport was perceived technological modernization, and for the enterprises in trade and real estate transactions - technological change. The organizational undertakings may be mentioned sectors agriculture, forestry, mining, electricity, gas and water, change the focus being on staff restructuring, the largest fluctuations occurred in skilled occupations average among workers unskilled, makers, security guards, etc.

Changes in society and the economy have led a redundant movement of urban population migration to rural areas more attractive. Agriculture recorded the lowest rate of employment, nevertheless in the future will enhance the rural sector, the development of competitive agricultural sector. To consolidate the new trends will be discussed main employment sectors of the population in agriculture, agricultural subsidies, increasing growth of economic indicators, the performance of various industries by diversifying the means of intervention to support competitiveness.

It is also estimated that the total working population will decrease as a result of demographic change on the population over 65 years and of business growth of

population between 15 and 64 years with approx. 63%. Romanian Government strategies are aimed at increasing annual employment rate of the labor force aged between 15-64 years, with 0.1-0.2%.

### **Conclusions**

The weaknesses of the current system for monitoring the employment and labor training in Romania are: the lack of an information system which allows for the analysis of quality of phenomena and processes in the field of employment; lack of analyzes providing information on trends in the labor market; significant differences between the data reported by different sources, due to the different way in which they are defined indicators on employment, both at national and regional differences in recording, the radius of coverage and reporting times etc.

Migration process accelerated as a result of restructuring and privatization by releasing labor reform sectors subject to other areas and sectors. Agriculture has been the influx of migrants from urban areas, increasing employment in rural areas compared to urban areas. In the near future, we can extrapolate that the active population in rural areas will focus on agricultural services sector as a result of the development of agriculture with a high degree of competitiveness. To this end, the segment will be trained workforce employed in subsistence agriculture.

European society is dynamic, because of the impact of various factors, such as scientific and technical progress, economic globalization, trade, culture and population aging. Strategy and European philosophy, targeting employment, business, society and equal opportunities contribute to improving the livelihoods of the population, aimed at raising the standard of living, sustainability and social cohesion. The European Union has a role to stimulate social, which required a legislative framework designed to mitigate the negative factors and protection of EU citizens. EU fosters cooperation between EU countries, harmonization and coordination of national strategies, training local authorities, civil society, NGOs.

Romania's social policy focuses on key priorities, set out in the Lisbon Agenda: training and maintaining labor market, improving adaptability and increasing investment in human capital, in accordance with the provisions of the Sustainable Development Strategy - demographic and migration policy, social protection health and population level of human development, poverty eradication. This performance is achieved thanks to the effectiveness of immigration policy and economic processes in order to avoid negative phenomena.

The ultimate goal of the policy promoted by the Government is limited to increasing the employment of labor, improving mobility, working conditions, quality of work, information and improves workers, poverty reduction and social divide, promoting gender equality and improving methods social protection.

The impact of globalization on labor market in Romania must correspond to economic, being resilient to changing requirements and competitiveness. This aspect of the employment policies of the labor force should include the results of constant cooperation with business, trade unions, employers and the professional associations, NGOs for optimal recovery of employment.

Romania, thanks to the efforts, noted a dramatic increase domestic labor market mobility at geographic and employment level. The diversification of the labor market, it is necessary to continue the work on adaptation training services appropriate to labor market needs and directions of development and training of new jobs, in such a way that the workforce could pass easily from one type of activity to another, by obtaining new skills.

Evolution of the employment process will be influenced by multiple factors. Among them we can highlight the flow of foreign investment, which will generate many jobs. A beneficial contribution on increasing employment levels will be small and

medium enterprises being more elastic and flexible to market circumstances. On the other hand, further conversion, restructuring, merger, will introduce deviations in the labor market.

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