

# DETERMINANT FACTORS OF EMPLOYMENT ON ROMANIA'S LABOUR MARKET IN THE EUROPEAN CONTEXT

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## Abstract

In the present conjecture, countries are faced with high unemployment rates and persistent unemployment. In this context, a series of measures and policies were passed as means of fighting off this particular severe situation.

At European Union and Romania's level there is a clear increasing trend of adopting active measures for increasing the employment degree on labour market. Yet, the increasing trend of unemployment in many countries results in a limited success of active measures. The unemployment increase contributes automatically to higher public expenditures for passive indemnities so that most of the active programmes in the area of labour force are discretionary in nature. In elaborating active measures for labour market, an important role is played by the identification and analysis of the determinant factors of employment.

The present paper presents a brief analysis of the main factors that influence the employment and unemployment level on the Romanian labour market in a European context.

**Keywords:** unemployment, employment rate, educational level, informal labour, migration

## Résumé

Dans la conjoncture actuelle, les pays sont confrontés à des taux de chômage élevés et un chômage persistant. Dans ce contexte, une série de mesures et de politiques ont été adoptées comme moyen de repousser cette grave situation particulière.

Au niveau de l'Union européenne et la Roumanie, il y a une tendance à la hausse claire, d'adopter des mesures actives pour augmenter le degré de l'emploi sur le marché du travail. Pourtant, la tendance à la hausse du chômage dans de nombreux pays se traduit par un succès limité des mesures actives. L'augmentation du chômage, contribue automatiquement à des dépenses publiques plus élevées, pour indemnités passives, de sorte que la plupart des programmes actifs dans le domaine de la main-d'œuvre sont discrétionnaires, dans la nature. Dans l'élaboration de mesures actives pour le marché du travail, un rôle important est joué par l'identification et l'analyse des facteurs déterminants de l'emploi.

Le présent document présente une brève analyse des principaux facteurs qui influencent le niveau de l'emploi et le chômage, sur le marché du travail roumain, dans un contexte européen.

**Mots-clés:** le chômage, taux d'emploi, niveau d'éducation, l'emploi informel, la migration

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## Rezumat

În conjunctura actuală, țările se confruntă cu o rată a șomajului și un șomaj persistent ridicat. În acest context, au fost adoptate o serie de măsuri și politici ca un mijloc de a lupta împotriva acestei situații deosebit de grave.

La nivelul Uniunii Europene și al României există o tendință clară de creștere în adoptarea măsurilor active pentru creșterea gradului de ocupare pe piața muncii. Totuși, tendința de creștere a șomajului în multe țări face ca succesul măsurilor active să fie limitat. Creșterea șomajului crește automat cheltuielile publice pentru ajutorul de venit pasiv, și astfel, cele mai multe dintre programele active în domeniul pieței forței de muncă sunt discreționare în natură. În elaborarea măsurilor active pentru piața muncii un rol important îl are identificarea și analiza factorilor determinanți ai ocupării.

Lucrarea prezintă o succintă analiză a principalilor factori care influențează nivelul de ocupare și șomajul pe piața forței de muncă din România în context european.

**Cuvinte cheie:** șomaj, rata de ocupare, nivel de educație, munca informală, migrație

## 1. Introduction

Globalisation and technological developments had a deep impact on the labour force markets in the entire world. In most developed countries and developing countries, the unemployment rate is regarded as an important indicator of the labour market performance.

If before the beginning of the great recession in 2008, on the European labour markets were added almost 30 million of new jobs, during the crisis, the same markets eliminated six million jobs, and unemployment peaked at 11% in 2013, the highest rate for more than a decade.

The labour force market from Romania changed dramatically during the economic transition. One of its main characteristics is the diminishment of employed population. This was due both to the restructuring of enterprises (which led to job losses that were not compensated by the creation of new jobs) and to the marked demographic ageing of the population. In the context of the free movement of labour force, Romania registered significant emigration (including temporary emigration) having as outcome a labour force deficit. In the framework of migration are highlighted two extremely important phenomena for the labour market sustainability in Romania: the migration of rather young and high-skilled workers (the “brain drain” phenomenon increased significantly during the crisis and post-crisis period for professions such as physicians and computer scientists) and, at the same time, the migration of low-skilled workers who prefer to earn more abroad.

Another feature of Romania’s labour market is also the shift of a certain part of the remaining jobless workforce to informal labour forms. Informal work exists mainly in agriculture (under the form of the subsistence agriculture), but also in sectors such as constructions, trade, home services, transports, health and education.

## **2. Characteristics and Influence Factors of Employment on Labour Market**

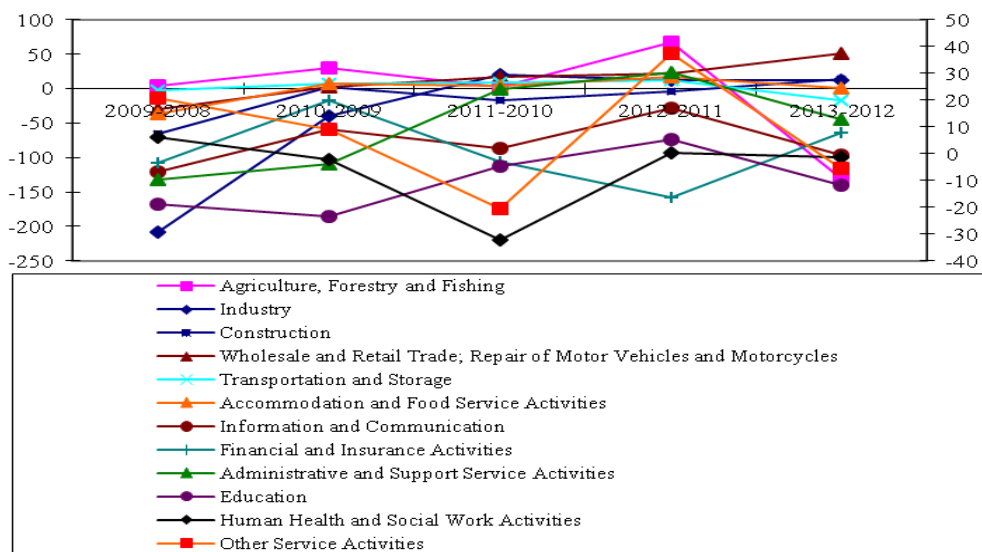
At European Union level and, implicitly in Romania, changes take place in the structure of labour force employment, respectively:

- In the period 2011-2013 the labour force employment level in EU-28 decreased by approximately 1.2 million, and in Romania by 133.6 million individuals. The majority of net losses with respect to labour force employment continued to emerge in relation with the jobs remunerated at medium- and low level up to medium in the field of constructions and production.
- The increase in labour force employment remained constant in relationship to the well-paid jobs and with high-skills level. A net increase was registered with respect to labour force employment only in relation to the jobs at the superior level of the distribution depending on wage.
- The services sector represents currently over 70% from labour force employment. In this framework, the highest increases were recorded in the ITC sector, for experts in the field of information systems' programming, consulting and associated services and, at EU-28 level, in the medical field for health staff in the sector of medical care.
- During the last period, an increase can be seen in the representativeness of women on the labour force market. The changes taking place in the employment on genders had a polarisation effect for men and a modernisation effect in the case of women.
- Part-time employment represented one main factor contributing to employment increase and, on longer term, to the de-standardisation of work relations. Even if this type of employment was dominated traditionally by women, it underwent an increase also among men for the last years.
- From the viewpoint of labour force employment increase, during the last years this took place in the sectors where jobs are based mostly on tasks of information processing.
- The cases of jobs' polarisation cannot be explained by the main factors of changes with respect to technology, or by globalisation. As result, a third factor – the policies related to labour force market and the corresponding institutions can be regarded as having effect on jobs' polarisation.

### ***2.1. Labour Force Employment Rate***

The labour force employment rate in Romania for the population aged between 15-64 years of age was of 59.7% in the year 2013, higher by 0.2 pp against the preceding year. Even if during the last five years (2009-2013) it recorded slight yearly increases, Romania is still among the states with the lowest labour force employment rates (59.7% in 2013). Between 2008 and 2009, labour force employment decreased by 1.04% (a diminishment by 336.3 jobs). The phenomenon spread out in 2009 and 2010, yet at a lesser intensity. The industry was the most affected

sector by the decline of labour force employment, with a decrease by 10.4% in the year 2009. Once the real estate bubble collapsed, constructions halted their growth and this resulted in a decrease by 3% of the jobs in the constructions' sector between 2008 and 2009. To the contrary, the labour force employment increased by almost 2% in the services' sector. If in the year 2012 were registered increases of the employed population in the majority of the national economy sectors', in the year 2013 were recorded diminishments thereof. Significant decreases were registered in agriculture (by 129.9 thousand persons). The constructions' sector is the only economic activity where the employed population increased by 622.7 thousand persons (*Figure 1*).



Data source: TEMPO-online database – National Institute of Statistics, Romania

*Figure 1. The absolute increase of civil employed population on national economy activities at NACE Rev. 2 section level, (thousand persons)*

The employment rate for women in the European Union reached in the year 2013 the level of 58.8% and in Romania the one of 52.6% but still remained much smaller than the employment level among men (69.4% in the EU-28 and 66.8% in Romania). Still, there are member countries of the EU that register extremely low values of employment among women – Malta with 47.0% and Italy with 46.5% – or extremely high values – such as Sweden 72.5%, or Denmark with 70%. At the European Union level women were less affected by the crisis than men. In the case of Romania, women are more affected by the crisis: the decline in labour force employment is more marked for women than for men.

A factor with pre-eminent effects on employment is also *the demographic ageing of population*. This process became more marked in the EU countries

during the last ten years. While the share of the population with ages of 60 years of age and over increases from 24.24% in 2000 to 27.95% in the year 2013 at the level of the entire EU, the share of young population with ages less than 15 years of age decreases by about the same percent from 17.24% to 15.6% for the analysed period. The countries with the largest share of elderly population are: Italy, Greece, Germany, Bulgaria and Sweden with percentages between 28% and 30% from total population. Romania is around the European average with respect to elderly population. Yet, in Romania<sup>1</sup> this process of demographic ageing is accompanied also by a decrease of the natural balance (the population registers a decrease by 10.8% in the period 2000-2013) which lead already to a decrease in the young population (less than 15 years of age) under the European average. This demographic ageing phenomenon risks to have effects of particular importance on the effectiveness and structure of the labour force in the future with consequences on the sustainability of economic growth and of the social system in case that in the future no provisions will be made towards adopting some policies for improving or even eliminating the negative effects of this process on one hand, and on the other hand for halting its intensification.

Employment, in general, is lower among elderly (55 to 64 years of age) and higher among individuals with a *high education level*. The European Council from Stockholm in 2001 established a target level of employment for the elderly population of 50% up to 2010. In the European countries the employment among elderly population increased continuously and significantly from 2000 when it registered 36.9% up to the 3rd quarter – 2014 when it reached a level of 52.2%. The highest rate of employment for elderly population is registered in Sweden 74%, while the lowest is recorded in Greece 34%. With respect to these indicators Romania ranks a bit under the average with an employment rate of 44.2%. Before the year 2000, Romania ranked among the countries with the highest employment among elderly of over 50%. After Law 19/2000 was enforced the employment among elderly decreased by over 10%.

*Employment among individuals with higher education level* (ISCED levels 5-8) is higher by almost 20% against total employment and by about 40% higher than the employment of individuals with low education level (ISCED levels 0-2). This variation in time was very low, registering values of over 81% in the period between the 1st quarter 2012 and the 3rd quarter 2014. Romania is situated above the European average with respect to the employment level among individuals with higher education level with an employment rate of 82.3% in the 3rd quarter 2014

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<sup>1</sup> According to the 2011 Census, Romania's population is of 19.04 million inhabitants representing over 4% from the entire EU population, ranking on the 6th position as number of inhabitants. The population structure on gender is approximately the same with the EU level, remaining relatively stable during the last years. At EU level a slight increase in the share of men can be noticed from 48.7% in 2000 to 48.8% men in 2010, while in Romania a slight decrease in their share can be observed from 48.9% in 2000 to 48.6% in 2010.

and by 36.1% higher than the employment of individuals with a low level of education.

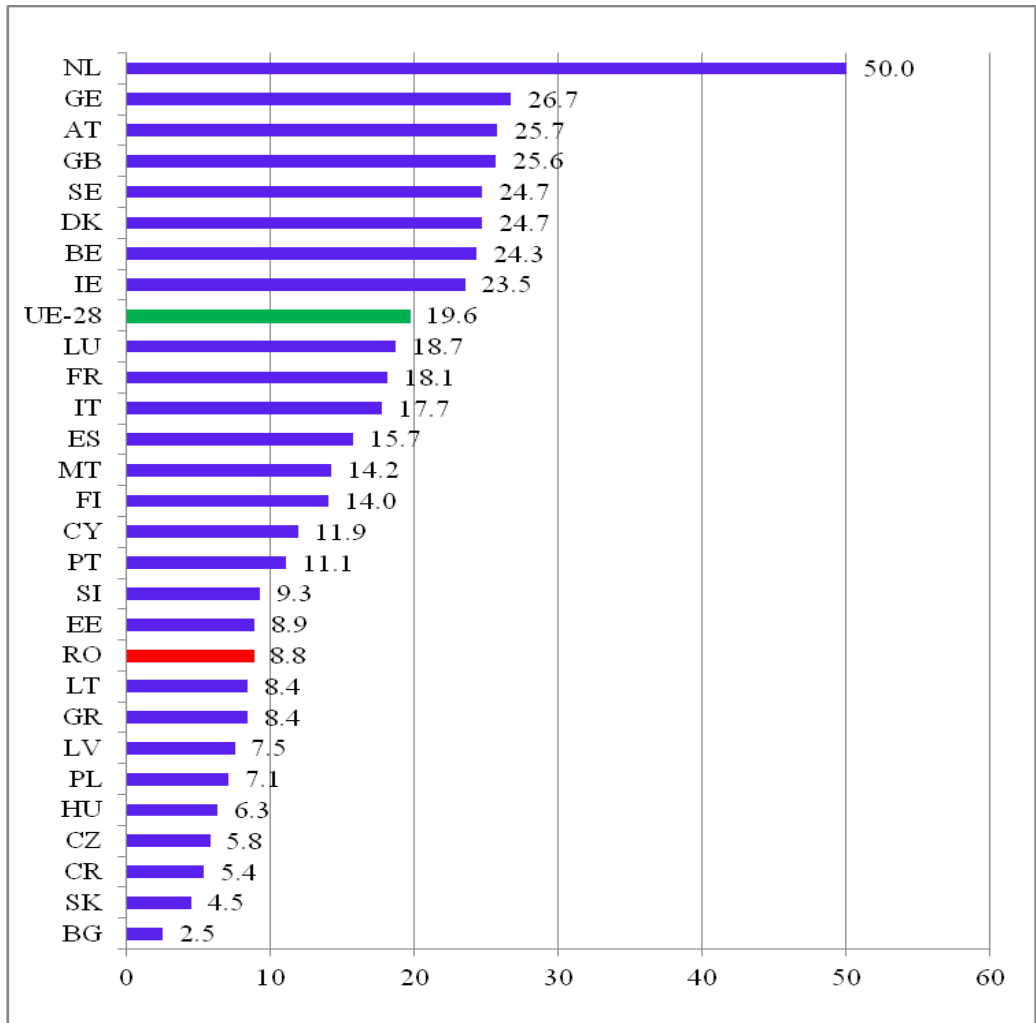
An important factor which acts on the labour force market is the *share of labour force working part-time*. This share increased in the EU from 16.2% in 2000 to 19.6% in 2013. The highest share of part-time workers was identified in the Netherlands (20% in 2013) on increase against the year 2000 by almost 9%. In decreasing order, the countries are Germany, Austria, Great Britain, Denmark, Sweden and Belgium where the share of labour force working part-time is of approximately one quarter out of employed population (*Figure 2*). The countries with the lowest part-time employment levels are Bulgaria (2.5% in 2013) and Slovakia (4.5% in 2013). In the case of Romania, the part-time employment of labour force was of 8.8% in total labour force employment in 2013, on significant decrease by almost 8% against the year 2000. In 2013 the average number of hours worked per week in Romania is of 40.6 hours for those working full-time and 23.1% for those working part-time. Over 75% from the full-time jobs comply with the legal working time of 40.1 hours. Individuals working over 40 hours per week represent approximately 18% from the full-time jobs. The crisis led to changes first of all in the number of jobs with a working time of over 40 hours (a decrease by 9% was registered for these in the period between 2008 and 2009).

With respect to the nature of the labour contract, over one quarter of the employed population was employed with *temporary working contracts* in 2013 in Poland and Spain, and 21.4% in Portugal. Between the EU Member-States is a wide difference with respect to the use of labour contracts on determined periods of time, which reflects to a large extent the national policies and the seasonal labour force demand. Among the remaining members, the share of population employed with labour contracts on determined periods of time varies between 20.3% in the Netherlands and only 1.5% in Romania. As effect of the crisis, the number of labour contracts with a determined period of time for Romanian employees recorded an increase by 26.6% in 2013 against 2009.

## **2.2. Unemployment and Determinant Factors**

Unemployment among males, youths and unemployment on long-term seem to be the more sensitive to economic cycles than total unemployment. Globalisation and the technological progress have an increasingly higher effect on daily life, and the demand for various types of jobs and skills develops at a quick pace.

Part of the enterprises' risks that must be increasingly innovative and productive is transferred to the labour force. Thus, both employed individuals and individuals searching for a job are required to show increasingly higher flexibility. In the context of the European Employment Strategy, there is a series of measures conceived to encourage individuals to stay longer on the job, or to find a new workplace, including: encouraging lifelong learning, support for those searching for a job, as well as ensuring equal chances.



Data source: Eurostat statistics

*Figure 2. Share (%) of employed population in part-time jobs in EU-28 countries for the year 2013*

Unemployment is an indicator with delayed reaction to the economic changes.

The average unemployment rate in the EU-28 was of 10.9% in the year 2013, by almost 3% higher than in the year 2008. The analysis of the data provided by Eurostat highlights that the impact of the economic crisis was felt with a one year delay on the unemployment average at European level. In some countries, the effects of the crisis were felt earlier on the labour market, as is the case of Spain, where the unemployment rate began increasing already in 2008, reaching a value

of 26.1% in 2013, that is by 17.9% higher than in the year 2007 when the unemployment was still on a decreasing trend. Another country which was extremely affected by the economic crisis from the unemployment viewpoint was Greece, where the unemployment rate reached in 2013 the value of 27.5% that is 19.7% higher than in 2008, when it was on a decreasing trend. Germany, already on a decreasing trend of the unemployment rate recorded a diminishment of the unemployment from 7.6% in 2008 to 5.2% in 2013.

In Romania, in the period 2008-2013 unemployment was on increase: unemployment increased from 5.8% in the year 2008 to 7.1% in 2013. With respect to public expenditures for unemployed, these were doubled in the period 2008-2009, due to the considerable growth of expenditures for unemployment benefits (an increase of 160% of these expenditures). Yet, paradoxically, the expenditures for stimulating the employment of disadvantaged categories of unemployed or in the case of restructuring or wind-up of public enterprises decreased between 2008 and 2009.

*Long-term unemployment* is one of the main concerns of the governments and decision factors in the field of social policies. Next to its effects on personal life, long-term unemployment limits social cohesion and hinders economic growth. About 5.1% from the EU-28 labour force in the year 2013 was unemployed for more than one year, and 2.6% in the year 2008. In Romania, in the year 2013, long-term unemployment is lower than the average for the European member-states by a percent of 3.3% out of the active population in unemployment for more than one year.

*Discriminating factors for those searching for a job can be:* gender, age or educational level. At European level, up to the year 2008 inclusively, the unemployment rate among women was higher than in the case of men by up to 1%, but with significant differences recorded in Greece, Estonia and Lithuania of over 5%. Yet, the economic crisis led to higher layoffs among women (the rate of unemployment for them peaked to 10.9% in 2013 against only 7.5% in the year 2008) and fewer among men (peaking at 10.8% in 2013 against 6.6% in the year 2008). In Romania the unemployment rate is higher by about 1.4% for women than for men as recorded for the year 2013.

The unemployment rate on age groups proves that youths with ages between 15 and 24 years of age face more difficulties than the more mature ones in finding and maintaining a job. The unemployment rate among them reached a level of 23.7% in the year 2013. The highest unemployment rate among youths was registered in countries like Spain, Greece and Croatia in the year 2013 (of 58.3%, 55.5% and, respectively 50%) followed by Italy (40%).

Also in Romania the young individuals with ages under 25 years of age have more difficulties than those with ages above 25 years of age in finding and maintaining a job, unemployment among the first category being by 16.5% higher than for the second category in the year 2013. Still, the crisis did not affect more



the young than the elderly, the unemployment rate increase among youths in 2013 against 2008 being of only 3.7%.

The unemployment rate among youths is influenced by very many factors among which:

- *Education*: A strong link exists between the educational level and the unemployment rate. At world level, according to OECD researches, the employment rate of the youths aged between 15 and 24 years of age, with tertiary education is higher than the one of youths with secondary education, and the one of youths with low-education level. In the specialised literature several studies support this idea: Scarpetta *et al.* (2010), Weber (2002) who estimated the relationship between the education's profitability rate and the unemployment rate in 14 European countries. According to their results, unemployment among youths has an important role in pursuing educational investments. As outcome of investments in their education, the opportunity cost of unemployment decreases.
- Educated workers are more efficient than individuals with a low level of education searching for new jobs and for obtaining higher wages. Educated employees can find more easily a job, or can adjust more quickly to labour force market.
- *Economic activity* is another important variable in determining unemployment among youths. When the economic activity is sound and developing, labour force employment, as well as youths' employment will be easier. Unemployment among youths depends also on the type of economic activity, on the demographic evolutions and on the individual characteristics of the youths' themselves (Freeman 1982).

*The lacking skills are a discriminating factor* for those searching for a job. The unemployment rate at EU-28 level among those with a low education level (ISCED 0-2) was by 12% higher in 2013 than for those with higher-education level (ISCED 5-8). Also, individuals with a low education level are most vulnerable during times of crisis. Among them the unemployment rate reached 17.93% in the year 2013, against 5.9% among the individuals with a higher education level. In the case of Romania, the differences are less important than in the case of EU as a whole. An extremely low rate of unemployment for the age group 24-64 years of age with high-skills level is noticed (of only 1.9% in 2008 and 4.62% in 2013). For the same skills level, among youths, the unemployment rate increased from 20.4% in 2008 to 32.7% in the year 2013. It is interesting that in Romania the economic crisis had a higher impact on individuals with high-skills level than on those with low-skills level. The unemployment rate among individuals with higher education increased by 2.7% in 2013 against 2008 for individuals aged between 25 and 64 years of age, and by 12.3% for youths, while the unemployment rate among those with low educational level decreased by 0.3 pp, respectively 3.5 pp in 2013 against 2008.

In brief, it can be stated that among the determinant factors of unemployment in Romania can be mentioned:

- the natural increase of labour resources, respectively of the working-age population;
- a share of the population regarded by statistics as inactive (home-makers) represented preponderantly by women who enter the labour force market;
- layoffs of part of the employed labour force due to the disappearance of some jobs and the reclassification of others;
- under the conditions of a very slow increase in the numbers of jobs supplied the numbers of unemployed thicken, especially in the area of so-called vulnerable categories of the population: youths, women and elderly;
- the private sector develops at a slow pace, employing a relatively small number of those who wish to work;
- the economic life continues to be faced with: high difficulties generated by the lack of outlet markets, the lack of some suitable sources of raw materials and energy, the lack of financial capital required for modernising and re-launching some activities that may prove profitable;
- the specialisation and segmentation trends, the ones of shaping some groups and socio-professional categories that are non-competitive as result of the unprecedented multiplication in the numbers of professions, specialisations, skills and numerous differentiations between employees, from the viewpoint of experience, abilities, adjustment capacity, etc.;
- the strengthening of the quasi-monopolistic position of some economic agents which has as outcome labour market rigidity;
- the expansion of restrictive phenomena of economic, social, and legal nature that limits labour force mobility at domestic level;
- delimitation, shaping and autonomy of the segment represented by the high-skilled labour force and the considerable increase of its significance on the labour force market;
- the substantiated opinion that non-employment among experts with higher training is generated not that much by the surplus supply in relationship to the demand, but by the deficit structures and the mismatches between the professional options of the youths and the requirements of the social life.

The unemployment periods can have labour consequences on long-term. First of all, the loss of valuable working experience can make more difficult finding a job. Elderly individuals who are faced with a changing economic system and are trying to learn new and better applicable skills are most predisposed to enter unemployment. If the investments in human capital are lacking during the periods of unemployment, the profile of the chances and the subsequent earnings of unemployed shall be rather depressing.

Also, the unemployment periods could lead to bad working habits, poor attachment of the labour force to the job and general estrangement in the society.

The experience of unemployment can alter the attitudes of unemployed towards employment on the labour market: discouragement with respect to their perspectives of obtaining a job, thus affecting their efforts in searching for a job.

Unemployment is a complicated phenomenon and many statistics have been used for analysing the determinant factors and the dynamics thereof. Statistics about the unemployment rate, of the share of labour force that even not employed at a given time is actively searching for a job, are key indicators of the issues, still they must be supplemented with other indicators, as well, in order to accordingly project policies for attenuating the increasingly heavier issue of unemployment.

### **2.3. Migration**

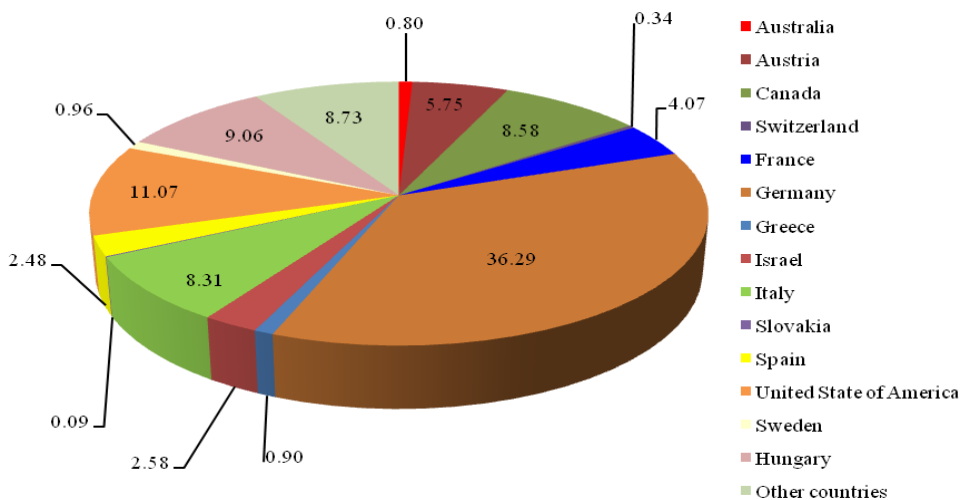
Another determinant factor of the labour market development is *migration*. Many of the European Union countries are currently countries of net immigration. Next to the developed countries that attracted already in the sixties immigrants such as France, Germany, Great Britain, Austria, Switzerland, the Netherlands, Belgium, Luxemburg, Sweden, Denmark other countries having massive immigration became also Italy, Spain, Ireland, and Portugal, etc. The country with the highest inflow of immigrants is Luxemburg with a net average inflow (the difference between the number of those entering the country as immigrants and the number of those leaving the country as emigrants) of 9 immigrants to 1000 inhabitants in the period 2003-2008. This country is followed by Ireland and Portugal who turned into massive immigration countries after 2004 with net average inflows of 5, respectively 3.5 immigrants for 1000 inhabitants. At the opposite pole are the countries that accessed the EU after 2004, from among which Bulgaria, Estonia, Latvia, Lithuania, Poland and Romania are net emigration countries. Yet, part of the Central and Eastern European countries have turned into immigration countries after the year 2000, from the perspective of the EU integration (Poland, Cyprus, Slovenia, Hungary and Lithuania). In the year of the EU accession, 2004, the emigrants' flow increased considerably in countries such as Estonia, Lithuania, Latvia and Slovenia with over 1 emigrant for 1000 inhabitants. In Bulgaria and Romania the perspective of EU accession and integration had as effect the increase of the net flow of immigrants to positive values. Bulgaria still remained the country with the highest emigration level, of 3.41 emigrants to 1000 inhabitants in 2008.

The migration of high-skilled individuals, known as "brain drain" turned during the last years into an extremely frequent phenomenon even in the developed countries. This phenomenon can be beneficial to the extent in which a transfer takes place, but it can be also inauspicious to the extent in which it generates a deficit of skilled labour force in the country of origin. According to the statistics of the World Bank, the highest emigration rate of individuals with tertiary education (in total individuals with tertiary education in the country of origin) was recorded in Malta 58.3%, in the year 2000. At a considerable difference of over 20% were

Cyprus and Ireland, followed by Portugal and Great Britain at a difference of yet another 15%. The country with the lowest emigration rate of high-skilled individuals is France, with a percentage of only 3.4% and Spain with 4.2% due, possibly, also to the culture and nationalism which are of particular importance in the two countries.

The decrease in the numbers of Romania’s population from 22.45 million inhabitants in 2000 to 19.986 million inhabitants in 2013 is due both to the decrease in the number of live-births and to demographic ageing, but also to the massive migration taking place from Romania. The impact of migration on the labour market and, especially, on Romania’s economy by and large, is the more important as this phenomenon occurs mainly among youths and much more than that, among those who are very well and highly trained. Thus, the human resource, the most important resource for sustainable development and on long-term is insufficiently valued and preserved.

With respect to definitive migration (with change of residence) the national statistics (the National Institute of Statistics) indicates that as of 1990 and up to 2012, 458821 Romanians set up their residence abroad (*Figure 3*). Because a large part of the Romanian migration did not take place in an official framework, these values are much under-evaluated. Approximately 36.29% from among the definitive Romanian migrants have opted as destination country for Germany, 11% the United States of America and 9.5% Hungary. With respect to the profile of the definitive migrant, 75% from them are under 40 years of age, and 54.36% are women.



Data source: TEMPO-online database – National Institute of Statistics

*Figure 3. The structure of definitive migration from Romania on countries of destination for the period 1990-2012*

The data provided by administrative sources (Ministry of Home Affairs: Directorate for Persons' Evidence and Databases Management – DEPABD, General Inspector's Office for Immigration – IGI, Passports Directorate), or the yearly data published by the National Institutes of Statistics from Spain and Italy, as well as the Eurostat databases regarding population and international migration show that on 1 January 2013 the numbers of Romanian citizens abroad for at least 12 months and with residences in Romania was of 2.3 million persons, 51.0% from them being men. Almost three quarters (73.4%) from the Romanian citizens who emigrated set up residences in Italy and Spain.

The emigration rate increased in 2013 as compared with the previous year, but is still significantly lower than in the year 2007. The immigration rate was constant against the preceding year, but is two times higher than in 2007.

The migration balance rate had an increasing development in the period 2007-2012 from -22.0 migrants for 1000 inhabitants in the year 2007 to -0.2 migrants for 1000 inhabitants in the year 2012. In the year 2013 the migration balance rate had a slight decrease against 2012.

During the year 2013, women migrated to a higher share than males (55.8%) but most from those who immigrated were males (55.1%). 55.6% from those migrating in the year 2013 are from the urban area, the higher weight of women being maintained also on areas of residence: 56.9% from the urban area and 54.5% from the rural area. Also the urban area is the one in which most immigrants arrived in the year 2013 (53.5%) chose to settle, the males having the highest weights in both areas: 57.0% in the urban area and 53.0% in the rural area.

The largest part of individuals that emigrated (83.8% men and 86.9% women) are in the working-age population group (15 to 64 years of age), and migration during this period had to the largest extent, probably, mostly an economic motivation.

Migrants with the highest weight (29.0%) are aged between 25 and 34 years of age, a situation which is just as true for both male population (32.2%) and the female one (26.5%); the second percentage as importance is the one comprising the ages between 15 and 24 years of age (24.1%) with 24.3% for men and 24.0% for women, the following one being the one for the population with ages between 35 and 44 years of age – 18.0% (men – 17.9%, women – 18.1%).

Also, during the last years labour migration, either temporary or circulatory, turned into the most important component of Romanian migration. According to the Report of National Human Development 2007, approximately 2 million Romanians (10% from Romania's population) are employed abroad in non-seasonal activities. During the last years, in accordance with a study realised by the Foundation for an Open Society (FSD) the main countries of destination of the labour migrants were: Italy (40% from the labour migrants); Spain (18%), Germany (5%), Hungary (5%) and Israel (6%). Just the same, in the case of temporary migration the official data reported by the Department for Labour Abroad are under-evaluated, these referring just to the number of labour contracts concluded by the Office for Labour Force Migration.

In Romania, 65% of the remittances sent from abroad are found in consumption and only 35% of them are directed towards investments and savings. The remittances of the Romanian workers abroad were placed, in the year 2013, by 8.3% under the level registered in 2012, under the conditions of a tentative economic turnaround in the countries which are the main destinations for the Romanian workers (Spain, France, and Great Britain). Only in the period 2003-2009, the Romanians from abroad have transferred in the country about 37 billion Euros, and just for comparison, we should mention that foreign direct investments registered in the same period totalled 45.7 billion Euro. For Romania's economy, these moneys play a very important role, being the second source of external financing after foreign direct investments.

With respect to the current profile of the labour migrant, in accordance with the Office for Labour Force Migration, this worker has a medium- to low-skill level, is aged between 25 and 35 years of age, and comes from the Centre, West, South and the South-Eastern part of the country. 52.65% from the migrating population are women, thus an important number of children are left behind at home, fact that could have negative consequences on their subsequent evolution, especially on their physical and mental health state.

#### ***2.4. The Informal Labour Market***

During the last years much effort was invested in the development and testing of some policies for combating informal work in the 28 member states of the European Union. Thus, in countries such as Lithuania, Latvia, and Bulgaria informal work decreased very much, these states attaining a level of informal work very close to the average of the developed countries of the EU (of up to 10%, considering vulnerable employment as indicator of informal work). In Greece, Poland, and Romania informal employment decreased significantly, yet remaining at extremely high levels. In some countries, such as Italy, Great Britain, Germany or Austria vulnerable employment (as indicator of informal employment) increased from 2000 to 2013, and the main reason could be, possibly, the increase of migration from Central and Eastern Europe.

A consequence of the transition period from Romania was the transfer of an important part of the formal work (as result of massive restructuring taking place in industry) to informal types of work, definitive or temporary migration (described in the preceding paragraph) or even to inactivity (discouraged individuals turned inactive).

Even though a continuing economic growth takes place during the last years, informal work persisted in Romania. Informal work is present mainly in agriculture, under the form of agriculture of subsistence, but also in other sectors such as constructions, trade, home services, transports, health, education, etc.

The phenomenon of grey work in Romania represents a significant component of the labour market in close relationship to corruption. Corruption drives enterprises towards the underground economy which leads to the diminishment of the taxes collected by the state, and rendered concrete, finally, in the increase of the fiscal burden for a number of fewer and fewer taxpayers.

Grey labour is one of the most severe phenomena that were shown in Romania after 1989. A first and natural consequence of this phenomenon is the substantial diminishment of cashing to the state budget and to the one of social insurances. Informal employment does not undermine just fiscal incomes but increases also the vulnerability for certain categories of the population. Acknowledging the fact that informal employment does not diminish together with economic growth has changed the debate regarding informal labour force employment and underpinned the necessity of some efficient policies of diminishing the informality and improving labour conditions for all. Indeed, informal labour force employment is counted among the major concerns of the Romanian government and appears among the top challenges faced by the country today, before poverty alleviation and wages increase (Parlevliet *et al.* 2008).

At the level of the year 2011, according to the estimates of the study “Informal Economy and Impact on Labour”, informal employment in Romania comprised 2.9 million individuals, representing 31.5% from total employed population. The largest part of informal employment is represented by the employment in the individual households' sector of the population.

In the framework of the aforementioned study, the stipulation is made that if all employees from the informal economy would shift to formal employment, the employment rate would increase by 45%, increasing from 58% currently, to 75% that is, the threshold provided for by the Strategy Europe 2020 and assumed by Romania. Also, the budgetary incomes (strictly those from the tax on income and from contributions to the pension and social insurance funds) would increase by almost 6% from GDP per year, ensuring the entire fiscal room necessary for investments and for financing the pension and health budgets. In a more realistic scenario, if only 20% from the employees in the informal economy would shift to formal economy, the employment rate would reach 63% (almost the current European average, which is of 66%) and would bring to the budget additional incomes of 1.2% from GDP.

The increase of informal labour force employment is not a characteristic that is unique for the Romanian labour force market. To the contrary, it is a shared feature of many countries and is spread out mostly in transition countries. This type of labour was created outside formal structures like official credit markets, fiscal administration, labour legislation and social security systems. Nevertheless, during the last years, informal labour was increasingly present in the formal working structures and the formal sector. The agriculture of subsistence, the ‘envelope’ payments, false self-employment of labour force and unregistered work are the

most common forms of informal work in Romania. For some groups, informal work leads to poverty and exclusion, while for others it represents a safety net (Parlevlie and Xenogiani 2008).

### 3. Conclusions

The analysis regarding the evolution of labour market indicators in Romania within the European context leads to a series of conclusions, from among which:

- in the period 2011-2013 the employment levels of the labour force in EU-28 decreased by about 1.2 million persons, and in Romania by 133.6 thousand persons;
- the increase in labour force employment remained constant in relation to well-paid jobs and high-skill levels;
- the services' sector represents currently over 70% from labour force employment;
- part-time employment represented a main factor contributing to employment increase and, on a longer term, to de-standardising labour relations;

Among the determinant factors of unemployment in Romania can be reminded: natural increase of labour force resources, respectively of the working-age population; layoffs of part of the employed labour force; the too slow development of the private sector; more marked trends of specialisation and segmentation, of creating socio-professional non-competing groups and categories as result of the unprecedented multiplication in the number of professions, specialisations, skills and of the multiple differentiations between employees with respect to experience, skills, adjustment capacity, etc.; limitation of labour force mobility at domestic level; delimitation, shaping and autonomy of the segment represented by the high-skilled labour force and its considerable significance increase on the labour force market;

With respect to the age segment 15 to 29 years of age, during the year 2013 a much higher number of young individuals intending to continue studying after taking a break was registered, as they were discouraged by the useless search for a job, but encouraged to obtain a diploma that would increase their employment chances.

Also, discrepancies increased between the employment chances of a young individual with studies and the ones of a young individual without studies, so that not only the time spent searching for a job for a young specialist is shorter as compared to the one needed by a young individual without studies, but also the unemployment rates for them show considerable differences. As result of the high unemployment rate within the European Union and, implicitly, in Romania the purchasing power of the young individuals was diminished, so that the daily consumption of individuals underwent a significant fall, just as high-value acquisitions as well.



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