

LABOR MARKET IN ROMANIA DURING TRANSITION. FORMING AND CHARACTERISTICS

Viorel CORNESCU*
Anca Monica ARDELEANU**

Abstract

One of the most important problems of the contemporary society is the flawless and efficient management of the human resource. Thus, it is of great interest the in-depth knowledge of what happens inside the labor market, its mechanisms, its multidimensional relations with the economic, social, educational and political structures and institutions.

In the present study we begin with the clarification of some theoretical issues related to labor market, we stopped trying to explain some aspects on formation and evolution of the labor market after December '89 and we focused on its specificity in the general context of the transition to market economy.

Keywords: *Labor, labor market, transition, labor market mechanisms, occupation.*

1. Introduction

Any reference to labor market, inevitable brings on the concept of work. We believe that we cannot fully understand the essence and the specifics of this important part of the market – labor market – its mechanisms, its forming, evolution and characteristics without clarifying the concept of work, especially from an economic perspective.

The labor was analyzed from many points of view in social sciences. Starting with the "toil and labor grief" as it appears in Adam Smith's vision, going further with the importance of labor as the principal generator of social identity¹, or with the interpretation of labor as an imperative of human life and reaching the idea that labor is "an essential factor for the full expression of our humanity"².

From an Economic perspective, the labor is defined as "the sum of physical and intellectual human activities, with the purpose of production of rare goods and services. The value of labor depends on its capacity to produce goods and services characterized by shortage"³. In a broader vision, the same author shows that "labor can be described as an understanding between human beings and their surrounding environment, mainly aiming to self-preservation. The value of the labor must be measured in relation to the success in terms of survival and preservation of human species"⁴.

In our opinion, the labor is a sum of physical and intellectual human activities, through which there are produced goods and services that are characterized by rarity, addressing the physiological,

social, psychological and spiritual needs of human individuals.

We can say that the labor occupies a central place in the system of the production factors, being the one that sets in motion the process of human activities by capitalizing the other production factors. Moreover, the world as it is known today, cannot be imagined without the human labor, and our social construction cannot operate without human labor.

Over the time, we find relevant reflections and points of view, expressed by the representatives of all Economic theories, related to labor and its role in ensuring the existence of human society, the wealth of nations and their prosperity etc. we cannot avoid mentioning the Mercantilists' references (Jean Baptiste Say and Jean Baptiste Colbert) the Physiocrats' references (Richard Cantillon and François Quesnay), but most of all, the references of the Classics (Adam Smith and David Ricardo) that gave labor – from an Economic point of view – a clear status, they captured and analyzed the division of labor, the labor-value ratio etc. Their ideas were continued, developed and nuanced in various fields by other thinkers (John Stuart Mill, J.B. Clark, Karl Marx, John Keynes, Roy F. Harrod, Joan Robinson, Paul Samuelson, Herbert Simon, Gary Becker, Daniel Khaneman etc.).

Only by fully understanding the Economic concept of labor, the implications of labor in the natural course of the human society, we can relate to the way that labor acts as a production factor and, moreover, to the way that labor integrates in the relations system generated by what we call market

* Professor PhD Viorel Cornescu, Faculty of Administrative and Social Sciences, "Nicolae Titulescu" University (e-mail: cornescuviorel@yahoo.com).

** Associate professor PhD Anca Monica ARDELEANU, Faculty of Business and Administration, University of Bucharest (e-mail: monica.ardeleanu@faa.unibuc.ro).

¹ Lipovetsky, G., "Fericirea paradoxală. Eseu asupra societății de hiperconsum", Ed. Polirom, Iași, 2007.

² Grigore, L., "Probleme specifice în domeniul pieței muncii pe plan mondial", Ed. Lumina Lex, București, 2000, pag.66.

³ Giarini, O., Liedtke, P.M., "Dilema ocupării forței de muncă și viitorul muncii", Ed. All Beck, București, 2001, pag.30.

⁴ *Idem*, pag 30.

economy. If the market is seen as the "soul" of the contemporary economy, then the labor – as an objective reality – cannot be perceived outside the market, but inside of it, generating a specific market segment – labor market.

2. Briefly about the labor market

The Economic activity involves – directly and immediately – the labor factor that capitalize material, monetary resources etc., for the purpose of satisfying human needs.

The labor is traded as any other good, through the labor market, which is one of the most important and interesting components of the society's general system of markets.

We believe that the labor market should be analyzed from a double perspective: *as a closed entity*, where the supply and demand for labor force is adjusted through specific mechanisms. This is a necessary but not sufficient approach, if we refer to the regularities for the formation of the labor force supply and demand, and also to the relations of the labor market with the entire economic and social body; *as an open system, with inputs and outputs*, being in interrelation with all the other social subsystems, that express all the ongoing actions in the labor market, all the processes which by their interaction generate employment; the labor market is a segment of any economy (national, regional etc).

The Economic literature presents nuanced definitions of the concept of labor market. According to some authors, the labor market is *an economic space where the capital owners as buyers (demand) and the labor force owners as sellers are freely negotiating, and the supply and demand for labor force is adjusting through the price mechanism of labor force, of the real salary, of the free competition between economic agents*.⁵

Other authors consider the labor market – in a more condensed formula – *a complex mechanism that assures the adjustment between supply and demand of the labor force both by the free decisions of the economic subjects, and by the real salary*.⁶

The labor market always implies establishing relations between the bearers of the supply of labor force and the bearers of the demand of labor force. These relations determine specific some mechanisms of adjustment of the supply and demand, of forming the labor price, of establishing a system of regulations and social values. In this regard, the labor market reflects the mutual relations between the demographic realities that determine the offer for work and the realities of the economic and

social development that generate the demand for work.

It is important to mention the fact that the labor market has an important social function, meaning that it also involves the negotiation of some elements related to work conditions and the overall quality of life. All these are correlated with the formative-cultural function of the labor force, ensuring a greater mobility and an easier adjustment of the labor force. We observe that the labor market was formed and works in correlation with the determinant role of work over the economic and social development and with the general demanding of the market and the price. This market reflects a complex of relations which include, mostly, the relations between people and their evolution in time and space, thereby influencing the type of civilisation. This market is influenced by the other markets and, in the same time, generates effects in all economic and social sectors.

Nevertheless, the labor market, like any other market, is a social institution with its limits and imperfections, its functioning depending on other social institutions, on restrictions from the economic environment, on different mentalities and economic agents' behavior. *"The labor market – said Francoise Perroux – is a very complex problem, a subtle maneuver through which the society is trying to set restrictions that are indispensable to the production"*.⁷

From another perspective, the labor market can be seen as *a sum of operations performed by different economic agents* – at different levels of macrosocial organisation – *operations that are related to ensuring the balance between the offer and demand for labor force*.

These operations are performed by organising, regulating and conducting the employment relationships and the professional relationships, taking into consideration the estimations and track keeping of the demand and of the offer for labor force. For this purpose, the orientation, the selection and the employment are taken into consideration, as well as the whole system of institutions, authorities and bodies that are related to these processes, along with the working hours and the standardization.

That is the reason why there is a focus on the diversifying and promoting of the work force, especially the part-time work, for the purpose of reconversion and re-qualification of the work force, in order to ensure the rapid and efficient insertion in an adequate professional environment.

All these are aimed at increasing the quality of life, humanisation of work, protection and safety for work, as well as professional training.

⁵ Răboacă, Gh., "Piața muncii. Teorie și practică. Muncă și progres social", Ed. Economică, București, 1990.

⁶ Dobrotă, N. (coord.), "Dicționar de economie", Ed. Economică, București, 1999.

⁷ Perroux, F., "Œuvres complètes", 6 tomes, Presse universitaires de Grenoble, 1993.

According to some authors, the labor market is the most regulated and organized markets of all. Alfred Marshall said: *"It is a natural thing that the labor market to be more regulated than any other market. The changes that take place here are related to some goods that need more protection than any other goods"*⁸.

The labor market is the most imperfect and rigid of all markets, due to the natural limits of the work force mobility and of the regulatory mechanisms of the offer and demand, but also due to the increasing level of organization, regulation and control of the processes that take place on the labor market.

The specialists point to two theoretical approaches of the labor market, related to the conceptualization of the commodities traded on this market: *regular commodity* – just like any other commodity - or *special commodity* – a different commodity, with specific characteristics, different from all the other commodities.

As a result of considering work as a **regular commodity**, we see that between labor demand and labor offer appears the same kind of transactional type of relationship that it appears in other markets – a relationship based on impersonal exchange for remuneration. Răboacă⁹ said that in this exchange relation, the two parties have certain freedoms.

For the individual, those freedoms are:

- to choose one's profession according with one's abilities and wishes;
- to choose the organization where to perform the professional activity;
- to choose whether one works or not;
- to change the workplace any time one wishes;
- to sell one's services at the highest price.
- For the employer, the freedoms are:
- to hire whom one chooses, having the obligation to pay the salary for the job done;
- to fire those individuals whose services are no longer needed;
- to buy the services at the lowest price.

There are also some characteristics that lead to the conclusion that work is more than a simple commodity or, in other words, to be considered a **special commodity**.

It is not by chance that Paul Samuelson said that Nu întâmplător Paul Samuelson afirma că *"man is more than a simple commodity"*¹⁰, highlighting the fact that the work is embodied in the human being. This is a characteristic of the human beings, being seen as a creative form of human manifestation, an

attribute that is specific to human kind. It has a capitalizing role for all the other production factors, which – in the absence of this special production factor – cannot find their use¹¹.

Lujo Brentano¹² (1844 - 1931) highlights some other essential characteristics of work, that fundamentally differentiate it from other commodities. *First, the work represents the exploitation of the living force of the human being – thus, by selling the work, it is sold the very person of the seller. The seller does not separate from the commodity. The worker has to follow the work; he has to go where the work has to be done. Secondly, the sale of a regular commodity it is done once and for good and this sale allows the seller to support himself a longer period of time, while selling the work has to be done continuously, daily, and the price for work does not allow the seller to support himself but a very short time. Thirdly, selling the work involves a domination of the buyer over the person of the seller, a domination over the whole moral, intellectual and physical life of the seller, because, considering the price that the employer buys, considering the salary that the employee receives, his whole moral, intellectual and physical life is build.*

The main difference between the two perspectives over work resides in the way that the institutional role of the labor market is considered. The vision that sees the work as a regular commodity minimizes its role. On the other hand, the vision that sees the work as a special commodity, gives the institutional framework a special importance and ensures promoting the interests of the participants on this market.

The institutionalization of the labor market not only serves to prevent abuses that can occur and affect humans, but also to create a rational labor market, where the offer and demand to be organized from the perspective of the whole society, according to capacities and needs.

According with this vision over work, seen as a special commodity, we consider that the labor market is the most regulated market and its organization and functioning have a very strict regulation.

On the other hand, a labor market overly regulated can act as a break on economic development, making it difficult or even limiting the ability of the enterprises to fold quickly to market requirements and to meet the challenges of the moment, generating adverse effects such as discouraging companies to hire labor force due to

⁸ Marshall, A., *"Principles of Economics"*, Eighth Edition, McMillian Press, London, 1992.

⁹ Răboacă, Gh., *"Piața muncii și dezvoltarea durabilă"*, Ed. Tribuna Economică, București, 2003, pag.6.

¹⁰ Samuelson, P., *"Economics"*, ed. a IX-a, Mebrow-Hill Bask Company, 1973, pag.570, citat de Răboacă, Gh., *"Piața muncii și dezvoltarea durabilă"*, Ed. Tribuna Economică, București, 2003, pag.29.

¹¹ Răboacă, Gh., *"Piața muncii și dezvoltarea durabilă"*, Ed. Tribuna Economică, București, 2003, pag.30.

¹² Bretano, L., *"Das Arbeitsverhältniss Gemass Dem Heutigen Recht"* (1877), Kessinger Publishing, 2010, citat de Gîlcă, C., *"Munca nu este o marfă"*, <http://www.costelgilca.ro/stiri/document/3095/munca-nu-este-o-marfa.html>, accesat 04.09.2014, ora 17.13

difficulties anticipated in dismissal of employees who no longer meet the requirements.

Given these considerations, the present emphasis is increasingly more on the process of deregulation and making a more flexible labor market.

There are also specialists who argue that a high level of regulation of the labor market generates a number of benefits, such as providing personnel motivation, conflicts avoiding, ensuring good cooperation between employers and employees, which allows a high level of employment and investment, supporting a rapidly developing pace¹³.

Experts believe, however, that the two ways of defining, corresponding to the two approaches, coexist within the surrounding economic reality, the two being applied specifically to the paid work, while the first approach can be applied to other types of labor relations for example the work performed by freelancers.

In terms of investigation techniques, the labor market is - as we said - the sum of all operations taking place at different levels of economic and social organization by various economic and/or social actors for regulating the demand and offer of labor, and of professional relationships in general.

They regard mainly the work offer forecasting and highlighting or the demand for labor; orientation, recruitment and employment; the system of public institutions operating in different parts of the labor market; management and labor management; hours of work and working time arrangement; training, retraining and reintegration; quality of working life, working conditions and occupational health; payroll forms and systems; social protection of the unemployed; collective bargaining and, in general, industrial relations.

The labor market operates in a system of permanent communication, interrelated with all other markets. It gets and receives their signals; in turn, it sends its own signals, which - most often - have the role of warning over the socio-economic status in the investigation area. (Scheme 1).

Scheme 1: The relation system between the labor market and the other markets

(Constantin Ciutacu – *Labor market: selected texts 1990 – 2000/2001*)¹⁴

Compared to other markets, it is appropriate to highlight some features.

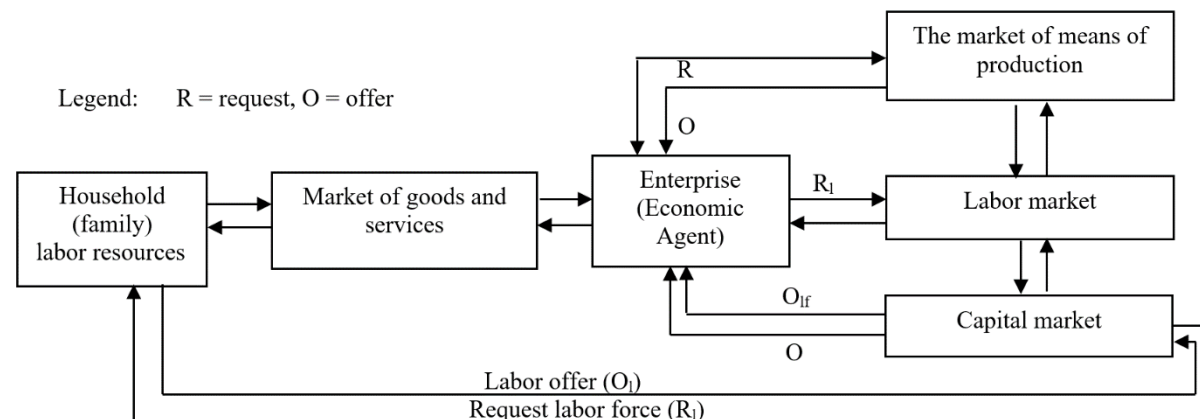
First, the demand for labor is manifested in the labor market, but it is great training and services market, for which appears as a derived demand. Between these two markets there is a system of interdependence, demonstrated economic. In other words, the labor market has a dual nature. From the labor demand's point of view, the labor market appears as a *secondary market*. The volume and structure of demand for labor depends directly on the production system (size of production of goods and services, capital stock and its structures, organization of work, productivity, solvent demand etc.).

In terms of labor offer, the labor market appears as a main market. This depends on the evolution of demographic phenomena, an external factor of the labor market, as well as on the offer of the vocational education system, and on the formal and informal labor behavior itself.

Secondly, in economic theory and modern sociology, the labor market is considered a *central square*, which penetrates, permeates the whole texture of socio-economic relations, the more so as, in terms of industrial relations, it is a fragile market, with significant conflict and explosive potential.

Thirdly, it is a *multidimensional* market. On this market interact economic, social, cultural, psychological factors etc.

A feature of the labor market - as we have seen - is to be the most *imperfect* of all the markets, being restricted by a variety of extra-economic conditioning: natural (ethnic structure, gender or age), acquired conditioning (social structure) or induced conditioning by collective bargaining on adjusting offer and demand.



¹³ Răboacă, Gh., "Piața muncii și dezvoltarea durabilă", Ed. Tribuna Economică, București, 2003, pag.73.

¹⁴ Ciutacu, C., "Piața muncii, texte selectate:1990 – 2000/2001", Ed. Expert, Bucuresti, 2001, p.10.

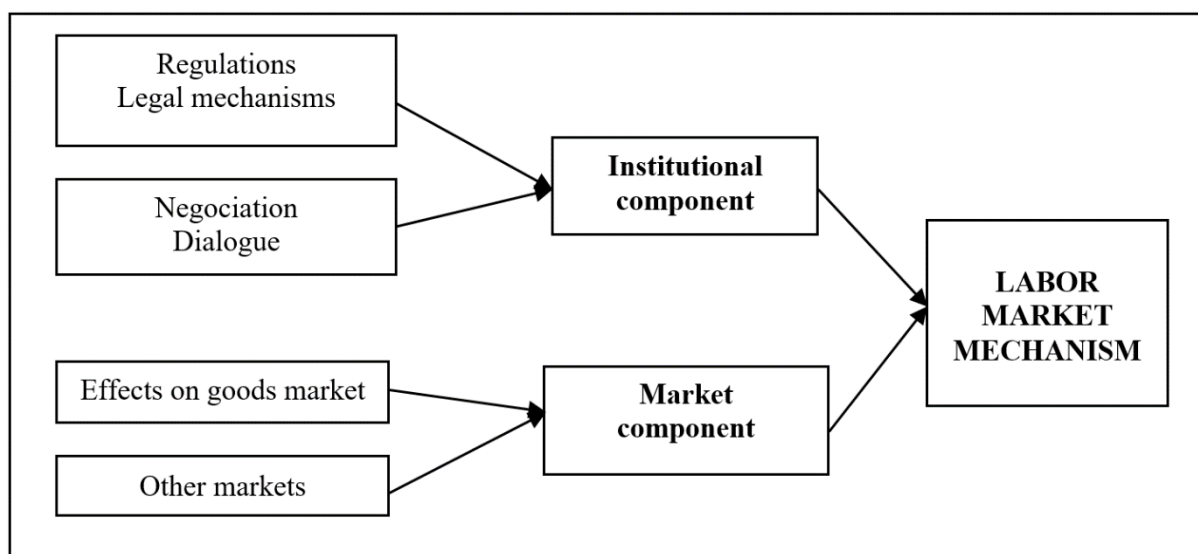
Fourth, the labor market is an *organized and regulated* market because of its very special subject of transactions: workforce.

Fifth, the labor market is also a market *negotiated* between three partners. All labor relations have a contractual basis. In addition, the wage levels, the working conditions, the rewards, the volume and structure of employment are often the result of collective bargaining and trade union pressure.

Lastly, the labor market is a *segmented* market – a professional and occupational market, an educational market related to the environment, age, ownership of firms and branch of activity (public, private or mixed).

The labor market mechanism is a very complex one, and it highlights two components. One that reflects the correlation of demand and offer of labor by market laws, the second which is intertwined with the first, an institutional component reflected by all the institutions, principles, legal regulations, etc., by which the negotiations and social dialogue are performed, both components having as final result specific transactions on the same market.

Scheme 2: Institutional component and Market component – Components of the labor market mechanism



(Cristina Lincaru – *Labor Market in Romania: organisation, functioning, ways to improve performances*, 2008, p.18)

3. Transition and labor market in Romania

After the Second World War, Romania's transition to socialism meant major changes in the system of national economy and its mechanisms, giving up everything or almost everything related to the capitalist system and the establishment of a

system based on socialist ownership, on the principles and centralized management methods, the unique national plan strangling the free market and its mechanisms.

We do not intend to characterize socialist economic system, but only to emphasize that the labor market, as other markets, experienced a strong rebound, being – practically – annihilated.

The State, through actions of central planning, was creating jobs in the economy and was directing the working population toward them. As a result, the market and its mechanisms existed no more, or were constrained to extinction.

The institutions involved (the government, the legislative, the trade unions etc.) in achieving centrally planned economy had as major tasks: a) providing jobs for all members of society; b) conversion of the obligation to work in the right to work ; the participation rate of the labor force to all the activities performed in society was very high across all age groups and gender, without discrimination; c) maintaining relatively comparable wage levels for different levels of training; d) elimination of certain payments to unemployment funds or other forms of social security related to this.

The wages were no longer determined nor by the value that human capital had and skills which he

held, neither by the productivity or the added value of goods or services produced, their composition being completely different than the wage structure that should met the requirements of a real economy, a market economy¹⁵.

After the communism system fell, Romania would face the same major shocks like other European countries of the former Communist bloc:

a) transition to capitalist market economy, reflected in the emergence of free market institutions and enhancement of its mechanisms, parallel with

¹⁵ Rashid, M., Rutkowski, J., Fretwell, D., "Labor markets", 2005, pag.60, citați de Barr, N., "Labor markets and social policy in Central and Eastern Europe: the accension and beyond", 2005.

the restructuring of the national economy branches and other economic reforms;

b) pre and post -accession efforts of meet the requirements of a free market economy in all areas of political, economic and social life.

In this context arises, develops and gradually strengthens the labor market, as an important and necessary component of the market system of the capitalist era that we strove to build.

In the late 90s, the labor market in the European Union was marked by sustained expansion determined by the accession of new member states from Central and Eastern Europe (2004-2007), by the strengthening of the Union's economic and social perspective, as a consequence of the adoption of the single currency.

In this context, the 90s was for the European Union a period of economic growth, generating economic optimism, the eastward expansion being considered as a new challenge and opportunity by the European Union and, in Central and Eastern Europe, a genuine transitional period, a "*burning stages*" period with consequences and significant impact on the labor market.

From this perspective, Romania is comparable with the other countries of the Eastern bloc, the main features of the labor market being common, but also with some specific accents generated by the national peculiarities, both in terms of privatization for economic sectors and the implementation and operation of institutions, policies and measures for this market.

All the labor markets in former communist countries share some common features: segmentation and high rigidity, low flexibility in the professional aspects of life; territorially reduced mobility; the absence of a direct link between productivity and wages; high degree of formal syndication; the absence of adequate social services for a labor market in a free market economy; overregulation of labor relations, leaving no room for the existence of the necessary conditions of a free market work.

The labor market – in process of formation in the 90s – knew real malfunctioning as a result of the decline of production in the entire area of Central and Eastern Europe, which entails two major changes in the *level and structure of occupations* and the *level and distribution of wages*.

The beginning of a difficult transition period had a serious impact also over the employment.

While most economic sectors showed slight increases already in the mid 90s, the employment did not show the same growth trend, which determined that the employment rate to be below the level before the start of the transition period and much lower compared with the employment rates of the Member States of the European Union.

Throughout the period from the beginning of the transition to the present, Romania's population has been in a process of slow decline, but definite decline, based on the following factors: the liberalization of abortion, which resulted in a decrease of 3.4% in about 10 years, while the birth rate has dropped from 16 ‰ to 13.6 ‰ in 1990 and to 8.8 ‰ in 2013, this adding and increasing migration for work in 2001 and in the coming years up to EU accession.

Another interesting phenomenon to watch and relevant to the country's economic development was the rural-urban mobility and urban areas who had several reversals of trend for the entire period.

In the early 90s, the trend was from the rural to the urban areas, but this trend reversed in the mid-90s when, as a result of reduced employment opportunities in urban areas, but also as a consequence of restrictions that existed in households due to rising costs for providing daily life, intensified the trend of moving from urban areas to rural areas, the population choosing – as a solution for survival – the subsistence farming.

The participation rate of active population, aged between 15 and 64 years, was, according to the Labour Force Survey of 1994, of 69.7% and registered even a slight increase in 1996, when it reached 72.3%, after which it followed a slow process of decline to 68.5% in 2001, respectively below the EU average which was of 69.2%.

Starting with that moment we could see a worrying trend, affecting not only Romania, but also the other new Member States, including the old Member States of the European Union, namely that young people were most affected by the worsening labor market conditions.

The evolution of the labor market participation rate for young people during the transition and the pre-accession to the European Union has several explanations, starting with the education level and ending with a whole series of subjective factors.

Studying the evolution of the youth on the labor market, it appears that this segment is becoming more and more vulnerable during the transition and in the pre-accession process, on the one hand due to difficulties faced after finishing school, regardless of the educational level, in identifying a job, the lack of experience and on the other hand due to the claim (often unjustified) of employers in the private sector to hire young, but experienced.

Moreover, over the years we can observe an increased risk of mismatch between market demand and the skills provided by the education system in the process of preparing young people to enter the labor market.

It is the time when it starts the migration of the young labor force to EU countries, USA and Canada.

After accession, starting with 2007, the situation on the labor market in Romania did not registered significant improvements, as expected, due to the crisis that started in the United States in 2007 and that spread to other developed states both in Europe and worldwide.

One of the most affected markets was the labor market, which has faced major problems such as:

a) the private sector has changed the employment structure and also the requirements of employers;

b) the emergence of the decentralized wage setting system, which has brought new distortions and dysfunction, contributed to increasing economic and social disparities between the different age groups and between occupational categories;

c) the emergence of declared unemployment, together with many social implications, was a true challenge considering that there was no prior institutional framework to cover all the economic and social challenges generated by that.

The evolution of employment in Romania, is closely related to the transformation and restructuring processes and is correlated with macroeconomic results recorded since 1990.

It has a descending trend, being accelerated due to the layoff process. This process has been encouraged by legislation on collective dismissals (Government Ordinances 9 and 22/1997) that have contributed to lower employment and increasing the unemployment rate.

The low level and the slow progress of investments was also a cause of the continuous decrease of jobs.

The investments' decline after 1990 was due to delayed economic reform and restructuring of state-owned companies that generated losses in the economy; to the low volume of own resources for financing; to the high interest rates; to the amplification of the financial blockage; to the existence of an uncertain economic environment; to insufficient domestic and foreign demand; to competition of imported products; to the existence of an unstable and often incomplete economic legislation.

Table 1. The evolution of employment (2000–2012)
Source: Statistic Directories of Romania (2006 - 2013)

After 1990, the employed population of Romania has suffered massive structural changes in the sectors of national economy. There are two clearly distinguishable features of the composition of employment by sectors:

– there is a high share of the population employed in agriculture and forestry (27.9%), a level 4.7 times higher than the average in developed countries and 1.4 times higher than the average of the former socialist countries;

– there is a lower share of employment in the service sector (27%), compared with developed countries and former socialist countries (the share of employed in services in Romania was less than half the average level in developed countries, and to former socialist countries there were differences of about 9-13%).

Since 1990, the evolution of the shares of employed in industry and agriculture was different from other former socialist countries, meaning that it emphasized the agricultural employment and in the meantime it was a disadvantage for the employment in services and industry for at least another decade. In 1998, Romania ranked last in the group of Eastern European countries in transition in terms of the employed population in the secondary sector.

The decrease of jobs in the secondary sector was present in all transition countries as a result of implementing policies of restructuring, modernizing and improving the economy. In Romania the largest reduction in employment in the secondary sector was manifested in the construction and industry sectors which have recorded large decreases in production.

During 1990-2006 in the secondary sector there is a decrease in the number of jobs, but also the proportion of people employed in this sector in total employment. Subsequently, this trend tends to fade by reducing employment in agriculture and the growth in other sectors.

In the sectorial composition of employment the following trends occurred¹⁶:

a) the increase of the percentage of population employed in agriculture, together with an emphasis

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Employment Total – thou persons	10508	10440	9234	9223	9158	9147	9313	9353	9369	9243	9240	9138	9263
<i>By sex</i>													
Male	5633	5581	5031	5057	4980	5011	5074	5116	5157	5100	5112	5026	5126
Female	4875	4859	4203	4166	4178	4136	4239	4237	4212	4143	4128	4112	4137
<i>By area</i>													
Urban	4756	4732	4607	4662	4906	4889	5115	5072	5101	5032	5032	5072	5078
Rural	5752	5708	4627	4561	4252	4258	4198	4281	4268	4211	4208	4066	4185

¹⁶ Mihăescu, C., "Populație & Ocupare - Trecut, prezent, viitor", Ed. Economică, București, 2001.

on demographic aging and feminization of the industry and rural resident population in the period 1990-2000. Since 2001, the trend was reversed and the share of employed in agriculture began to decline to 28% in early 2008;

b) the steady decline in the share of employment in industry throughout the period since 1989 until today, which will affect economic efficiency;

c) the very slow evolution of employment in services in the first decade after 1990. By 2000, this share has increased continuously and we are witnessing a revival of this sector that in the past was considered underdeveloped.

The economic restructuring after 1990 had important consequences for the labor market structure. Industrial sector privatization, especially in the '90s, led to massive restructuring in sectors such as mining, metallurgy and railways. Reducing the number of jobs in the industry has been accompanied by an increase in the number of jobs in agriculture. Since 2000, the trend reversed and the number of jobs in agriculture decreased from 42.8% in 2000, to 31.6% in 2004 and 28% in 2008. Conversely, the share of services in total employment increased from 26.2% in 2000, to 31.2% in 2004 and 40.2% in 2008. Overall, the total rate of employment in Romania (57.9%) is low compared to the EU25 average (62.5% in 2003) and to the EU target for 2010 (70%).

In 1990, about 4,000,000 people were recorded as being involved in various branches of industry; in 2000 this number was reduced to 2,000,000, and in 2008 fell to 1,969,000 people. The average number of employees in the Romanian industry was reduced by half.

The population employed in the industrial sector has differently evolved at the industrial sectors level.

Employment in mining decreased by 48.3%, the most important labor losses being recorded after 1996, and manufacturing employment fell also by almost 50%.

In the electricity industry, gas and water, employment rose by nearly 38% until 1996, then went into decline, reaching in 2003 the levels recorded in 1990.

So, the biggest reductions in employment were recorded in industries in which existed overcapacity for production and low performance (mining industry, chemical industry) and also in industries that, due to strong foreign competition, went through a tough restructuring process (the textile industry, communication, radio-TV equipment production industries).

The structural changes in the national economy represent the fundamental cause that determined this dramatic evolution. The inefficiency of the industrial

giants, built during communism regime and the mismanagement led to the bankruptcy of businesses which had tens of thousands of employees.

The employees that were fired from the industry branches are not found to the same extent in other sectors of the economy. Industry workforce reduction was accompanied by a significant increase in employment in agriculture. This phenomenon is perfectly explainable by demographic shifts that occurred during the communist period, migration from rural to urban.

After 1990 a reverse phenomenon occurred, the lack of subsistence means in urban areas for the fired employees from the industrial branches has led to migration to the native places in rural areas and return to former occupations.

Employment in agriculture has experienced a period of sharp increase during 1990-1994, when it reached a maximum of 3.647.000 people, then it reached a new "peak" in 2000, of 3.570.000 people, after which there was a reduction trend.

Unlike Western European countries, where the labor force is concentrated in the activities of the "downstream" or "upstream" agricultural production, in Romania the labor force is mainly concentrated in the manufacturing sector.

This fact is caused by the scarcity of technical facilities, by the lack of financial resources, but also by the advanced age of those working the land or livestock. All these factors contribute to the maintenance of a climate not so receptive to innovation and developing entrepreneurial and managerial skills, which are so important for the transformation of the working system in agriculture. For these reasons, the agriculture still has an extensive character, of subsistence. The yield is two or three times lower compared with those in developed countries, but close to those achieved in neighboring countries.

Employment growth in agriculture where labor productivity is small has no economic justification, perhaps more political or social. This anachronistic trend can be seen as a natural reaction of the population to agriculture branch during the crisis that Romania has been through. The application of the Land Law has made agriculture the only way to ensure the subsistence for a large proportion of the workforce that was laid off from non-agricultural sectors.¹⁷

Since 2001, is registered an annual reduction in the number of people employed in agriculture.

The development of individual or collective agricultural units based on the use of modern technologies – including the mechanization of agricultural work – represents a slow process in Romania with a timeframe that depends on the volume of investments made in this field, a process

¹⁷ Raportul dezvoltării umane în România – 1997, Academia Română, PNUD, București, 1997.

that will help reduce the employed population in agriculture.

Information provided by the last census and the AMIGO survey reflects the emphasis of the demographic aging of the population employed in the primary sector (agriculture and forestry). Only a percentage of less than 30% of the farming population is represented by young people under 35 years old. Agriculture is the only branch of activity in the national economy with a high elderly population employed.

After 1991, due to restructuring and privatization, there were massive layoffs, especially of employees in the industry, residing mainly in rural areas. According to the census of 7 January 1992, the employed population in urban areas still had a majority share. Declining share of employment in urban areas is visible in the same time as the employment growth in rural areas. This trend manifests itself after 1989 until the early 2000s, when there is a sudden drop in employment in rural areas, while urban employment level is maintained, registering just a sensible increase.

These structural changes are dependent on changes in employment by industries and sectors. A structure of employment with high levels in rural areas correlates with a high proportion of the workforce employed in the primary sector (agriculture and forestry). A low share of employment in secondary and tertiary sectors, which bear the economic and social progress, will influence the level of social labor productivity, GDP growth, real incomes of population and standard of living of the population.

In rural areas, the employees between 25-49 years is a small category, representing little over half of all occupations, while in urban areas this age group represents more than three quarters of the total. On the other hand, the rural workforce is largely constituted by elderly, as they are still in business after the age of 65. In urban areas, little over 1% of the employed population is over the age of 65, while in rural areas its share exceeds 20% of the employed population.

After 2005 the employment rate of the population aged 65 years and more in rural areas was significantly higher than in urban areas. This phenomenon highlights the emphasis of the process of demographic aging of the workforce in rural areas. In the age group 15-24 years the share of employed is decreasing in both environments.

In the age group 35-44 years different environment evolutions can be found:

- in rural areas this share is diminishing, and on the other hand increases the share of employed persons in the age group over 65 years;
- in urban areas is recorded an increased share of the age group over 50 years due to the decrease recorded in the age group 15-24 years.

In terms of increasing of the working-age significant positive results were achieved. If in the second half of the 90s, the trend of the activity rate of the population aged 55-64 years was slightly downwards, starting with 2002 it goes on a continuous upward trend both in urban and in rural areas.

If in the early 2000s, the employment rate, calculated as the ratio between the occupied population and the population aged over 15 years, was equal to the EU average of 63% of the total employed population, starting with 2001 it has steadily declined, oscillating around 59%.

The employment rate has been declining since 2000, recording a more reduced level of female employment (from 57.8% in 2000 to 51.3% in 2003) and less reduced level of men employment (from 69.5% in 2000 to 63.81% in 2004). In 2012 there were 13.9 percentage points between the sexes – men 66.5% and 52.6% women. The highest employment rates were recorded for persons in age group 35-44 years (85.9% for men and 80.6% women).

By age groups, it occurred a strong reduction in the employment rate of young people, aged 15-24 years, and an increase of the activity among the elderly people, aged over 65 years. This shows the installation of a phenomenon of extending of active lives to older ages, accompanied by a lack on the labor market of young people, which is leading to a decreased vitality of the workforce. In terms of female labor force, the increasing participation of older people (over 65 years) is even stronger than men's case, a situation that is full of significance if we consider that the retirement age for women is lower than for men.

Significant changes occur also in the structure of employment by professional status. These are determined by diversifying professional structure and the changes in forms of ownership that allowed encouraging private initiative.

Thus, after the events of 1989, in Romania appears and develops a new category of occupied population - *patrons*. A significant number of *patrons* are found, in decreasing order, in trade, manufacturing, hotels and restaurants and also in construction.

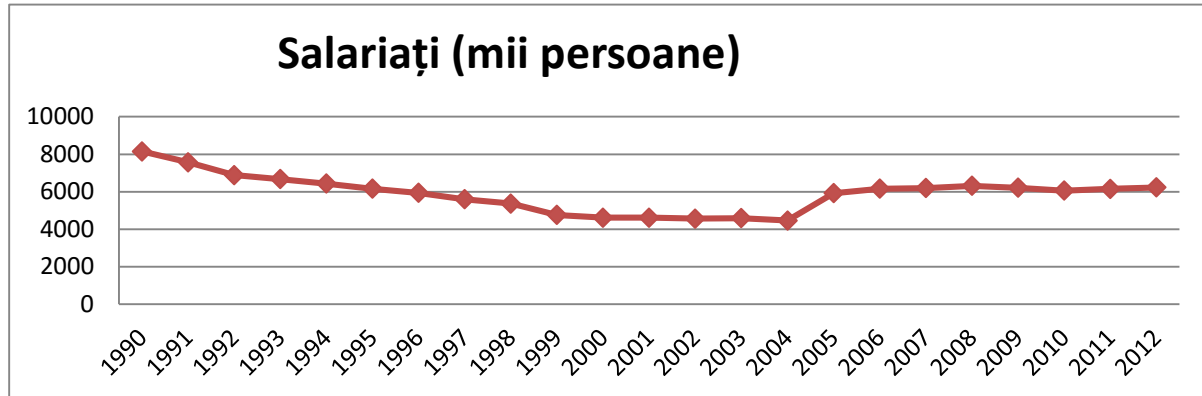
Another emerging category in the occupied population after 1990 is the freelancers. The freelancers and the unpaid family workers represented, in the first quarter of 2008, 30.2% of the employed population. Most of them were concentrated especially in rural areas (nearly 90 %). The number of unpaid family workers has continued grown in the analyzed period. Also, in this category of occupied population, the majority is represented by people who work in agriculture. Analyzing the gender structure of the unpaid family workers we

find out that it is favorable to women, whose share in this category is approximately 71%.

The evolution of the category "employees" experienced a significant decline during the economic transition, with 3.5 million people, respectively 43% in 2006 compared to 1990.

qualification. Thus the changes in the national economy caused significant changes in the socio-professional structure of employment population.

Analyzing the dynamics of employment structure by level of education there is a slight increase in the share of employed persons with higher education. For the same period (2006-2012)



Graffic 1. Evolution of employed population from 1990 to 2012 (thousand persons)

Source: Statistic Directories of Romania 1990 – 2013

This category of employed population highlights the various developments in relation to the form of employment. In the public sector, employees have systematically reduced weight. Over a quarter of the employees in the public sector worked in manufacturing industry.

the share of population with post-secondary education or technical education was increasing and the share of population with high-school and middle school level of education was decreasing.

Tabel 2. The evolution of the structure of the occupied population by the education level from 2006 to 2012 (thou persons)

Source: Statistic Directories of Romania – 2006-2013, INS, Bucharest

	2006	2007	2008	2009	2010	2011	2012
Total	9313	9353	9369	9243	9240	9138	9263
Superior	1253	1290	1386	1428	1480	1606	1660
Medium	5745	5738	5686	5516	5437	5406	5494
Specialized or Technical post-secondary	454	420	402	398	387	370	357
High school	2921	2977	2966	2941	2990	3064	3099
Professional	2370	2341	2318	2177	2060	1972	2038
Low	2315	2325	2297	2299	2323	2126	2109
Gymnasium	1690	1706	1709	1763	1824	1721	1736
Primary school or no schooling	625	619	588	536	499	405	373

The downward trend of the number of the employees in the public sector is closely related with restructuring and massive layoffs in this sector over this period. The number of employees in the private sector showed continued growth, so at the end of 2006 the number of employees in the private sector represented three quarters of the total number of employees. The shifts in the population structure by profession followed the same trends as the employed population.

Romanian Economy development in the context of the knowledge economy is based on complex processes of restructuring and modernization processes that require a skilled workforce with an increasingly complex higher level

The structure of the employed population by education level reveals that a share of more than 45% of the population has a training of secondary or higher education level, which draws the conclusion that the workforce in Romania has a quite high level of training. Considering the criterion of age, the highest degree of training corresponds to people in groups of 25-34 years and 35-49 years.

The phenomenon of unemployment has been officially recognized starting with 1991, along with the entry into force of the Law no. 1/1991 on social protection of the unemployed and their professional reintegration¹⁸.

¹⁸ Republicată în Monitorul Oficial al României nr. 257 din 14 septembrie 1994, abrogată prin Legea nr.76/2002 privind sistemul asigurărilor pentru șomaj și stimularea ocupării forței de muncă, publicată în Monitorul Oficial al României nr. 103 din 6 februarie 2002, cu modificările și completările ulterioare.

The unemployment phenomenon in Romania was determined both by demographic and economic factors, as the national economy, after 1989, was in restructuring process. It should be noted that the unemployment phenomenon was determined jointly by two processes: the decrease in demand for labor force (reducing the number of jobs) and the increasing of the offer of labor force.

In Romania, these processes occurred as follows:

- the high level of availability of manpower, a process that resulted in over 60 % of the total unemployed
- entering the labor market of new contingents of workforce from graduates of secondary and

higher education but also other categories of unemployed people.

This explosion of unemployment in the early years of transition reached a peak in 1994 when it was registered an unemployment rate of 10.9% (at the end of the year). After 1994 there was a period of decreasing of the unemployment but, by the end of 1997, the unemployment rate increased again as a result of the restructuring or liquidation of non performant economic entities (especially in the mining sector), culminating with a rate of 11.8% at the end of 1999. The unemployment rate has decreased in recent years: in 2003 the unemployment rate was 7%, at the beginning of 2008 the unemployment rate reached 5.8 %, and in 2012 it returned at the level of 7%.

	1991	1992	1993	1994	1995	1996	1997
Total unemployed (thou persons)	337	929	1165	1224	999	658	881
Unemployment rate (%)	3,0	8,2	10,4	10,9	9,5	6,6	8,9

	1991	1992	1993	1994	1995	1996	1997
Total unemployed (thou persons)	337	929	1165	1224	999	658	881
Unemployment rate (%)	3,0	8,2	10,4	10,9	9,5	6,6	8,9

	1998	1999	2000	2001	2002	2003	2004
Total unemployed (thou persons)	1025	1130	775	711	845	692	799
Unemployment rate (%)	10,4	11,8	6,9	6,4	8,4	7,0	8,0

	2005	2006	2007	2008	2009	2010	2011	2012
Total unemployed (thou persons)	704	728	641	575	681	725	730	701
Unemployment rate (%)	7,2	7,3	6,4	5,8	6,9	7,3	7,4	7

Table 3. Number of unemployed people and the unemployment rate from 1990 to 2012

Source: Statistic Directories of Romania – 2006-2013, INS, Bucharest

In the early '90s, women constituted the largest part of the unemployed population. After 1997, the share of women among the unemployed population was reduced, because of the collective layoffs that started in 1997 included construction activities, mining, metallurgy, branches in which activated predominantly men. Another factor that contributed to lowering unemployment among women it was the development of the clothing and footwear industry, where labor is mostly carried out by women.

	Women	Men
1991	62	38
1992	60	40
1993	59	41
1994	57	43
1995	55	45
1996	54	46
1997	48	52
1998	47	53
1999	47	53
2000	41	59
2001	42	58
2002	42	58
2003	41	59
2004	39	61
2005	40	60
2006	38	62
2007	38	62
2008	36	64
2009	38	62
2010	40	60
2011	41	59
2012	40	60

Table 4. Unemployment by sex from 1991 to 2012

Source: Statistic Directories of Romania – 2006 – 2013, INS, Bucharest

From 1990 to 2006 the proportion of women in the total number of unemployed steadily decreased from 61.8% so in 1991 to reached 41.5% in 2006. Starting with 1991 until the end of 1996, in Romania, the evolution of unemployment by sex revealed a higher share of women that are unemployed. The decreasing trend of the share of female unemployment has contributed to balancing the gender unemployment towards the end of 1996, after which there was a reversal in the unemployment structure. Starting with 1997 (after massive restructuring of the economy) the unemployment rate of men became higher.

4. Conclusions

Over time, those who have been analyzing and deciphering the economic life of the society also examined the issues of labor, employment and, more recently, human and intellectual capital. In this context, it was and is inevitable to capture the connections between work and the other elements of the economic system. In other words, everything that is related to work, from an economic perspective, is related – one way or another – with the market, regarded as the core base of the economy, no matter what space we are related to – national, regional or global.

As we have seen, the labor market has a very important role in ensuring a balanced development of economy and society, in knowing this market, its regularities and mechanisms of its functioning, the links between this market and other markets, structures or institutions in the society. This allows us not only a broadening of our knowledge, but also the possibility to intervene to ensure the necessary balance for a sustainable development.

That is why, in democratic societies, it is important to support the creation, where appropriate, and strengthening of the labor market. Romania, after the events in 1989, along with the abandonment of the "blessings of communism" had to rebuild from ground zero (to reinvent) the labor market. This effort was made during the whole transition period and aimed towards a sustainable economy. The analysis of the trends registered in the employment phenomenon at certain moments in time at the level of national economy, enables the understanding of the economic development of a certain country, the ups and downs of the economy, the relations between the labor market and other segments of the market, and between those and various other institutions (government, unions, employers, etc).

By highlighting certain aspects of employment in post-revolutionary Romania, we believe that we have started a further analysis on other aspects of the labor market and its characteristics in this turbulent period of transition to capitalism

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