

# HUMAN RESOURCES IN THE CURRENT ECONOMIC AND SOCIAL BACKGROUND

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## Abstract

*The increasing demographic decline in the recent years creates major malfunctions on the Romania and the European Union labor markets. The social and economic consequences of the demographic phenomenon are increasingly reflected in the structure of the labor market, actual level of families' income and in the sustainability of medium and long term governmental social and economic policies. Such evolution requires a re-establishment of public policies, education system, a reorientation of the knowledge-based economy, and the awareness of the increasingly important role of the business environment not affected by the presence of politics.*

**Keywords:** *demographic decline, migration, social policies, social protection, economic policies, economic growth.*

## 1. Introduction

The economic activity is characterized, as well known, by the existence and functioning of the production, distribution, exchange and consumption. But the way these components change in relation to the movements and structural changes of the main actors, people, they represent the main subject of this article. Furthermore, human resource, in its continuous movement, influences the richness of a country and public policies, the wealth of a nation and the insurance, pension or healthcare and education system.

Specialized literature in the economic, social, politic, mathematics and history field has available a great number of examples on the overwhelming discrepancy between a growing population with more or less real needs and a planet depleted natural resources or more and more rare or hard to exploit resources.

The movement of the population as a numerical dimension and volume change has been studied since 1662 when London merchant John Grant wrote paper "Natural and Political Observations Made upon the Bills of Mortality, particularly with reference to governance, religion, trade, growth, air, disease etc. in early modern London". In this paperwork, the author estimates the population of London based only on the bills of mortality.

Edmund Halley continued Grant's steps and established life table, as mortality table of Pierre Wargentin had been drawn up in Sweden in the 18<sup>th</sup> century since 1766.

Thomas Robert Malthus (1766 – 1834) with his famous Malthusian movement whereby he demonstrated the need to limit the number of births or

Achille Guillard, who attempted a mathematical approach of demography in 1885, all of them were approaches targeting the continuous and Brownian movements of the population depending on the influence of economic, social or political environment.

In the 20<sup>th</sup> century, the persons who stood out were Alfred Lotka (1934 – 1938) by the general theory of population dynamics and Adolph Laundry (1934) by the explanatory diagram of development called demographic "revolution" or "transition".

During the same period, Vladimir Trebici also made himself conspicuous (father of Romanian demography) who, in 1979, studied human populations delimited by space and classified by social significance, size and spatial distribution, their structure according to demographic, social and economic features, evolution, direct factors which determine the evolution of the population: fertility, mortality, migration, as well as social and economic factors that influence demographic phenomena, in order to highlight the regularities in which they occur.

If Vladimir Trebici tried to note certain regularities or identical features with a certain repeatability, nowadays we note that negative demographic evolution creates major malfunctions both in social terms and in terms of the economic development of any state. If sociologists tried to find a common denominator to which they could relate and which could be anticipated or controllable, then the current evolution of the population exceeds the predictions, thus recording an oscillating trend on the edge of the abyss. The evident aging trend of the developed country population overlapping the low-skilled labor force exodus in developing countries triggers major changes within the labor markets in developed countries. We are currently witnessing an

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obvious acceleration of urbanization in most of the world's countries, to an almost generalized decrease of birth rates, a massive population exodus from the poor to the richest countries and last but not least, the aging of the population in many developed and developing countries. The social and economic consequences of these events shall be reflected in the structure and dynamics of the labor market, the size of the population income and level of competitiveness of the educational system.

Not all the population carefully analyzed by demographers counts in our approach, but only one fifth of it, the rest of four-fifths being made up of children, elderly persons, persons who are unfit for work (sick or disabled persons), housewives, teenagers who are enrolled in study programs, individuals working in their households or unemployed persons. This fifth of the population that really counts, called by economists "employed population" represents the labor force human resources of any country. There are persons actually engaged in work, with a bilateral contract in this respect, thus carrying out a constant (even temporary) activity within an organized framework and by collecting a remuneration in this respect, namely small taxpayer and active taxpayer, without which no other element of the economic activity (large taxpayer) could function.

The management was shaped as an integral part of the economic activity as of the 20<sup>th</sup> century, due to the increased industrialization and the emergence of increasingly complex and highly specialized professions. If the economists were searching for laws, regulations and principles to live together, the managers are searching for laws and actual modalities to work together. The field of the management came to the fore by the contributions of certain authors such as Frederic W. Taylor or Henri Fayol, who are considered the initiators of scientific management. But human factor represented the core of the activity for neither of them, they being especially organized by the organization of the work, efficiency, productivity, prediction or control. Elton Mayo (1880-1949) and Fritz Roethlisberger (1898-1974), both with representative researches for School of Human Relations began to be interested in human study.

## 2. Labor resources and their current status within the European Union

Thinkers and scientists have always convincingly argued that no society can exist and function outside the creative work of individuals in the sphere of material and spiritual production. The internal evolution of the society points out that the patrimony of the national

wealth of every society depends on the quantity and quality of the social work, the level of organization and efficiency of all forms of human activity. The overall development of any society depends in part on the multitude of organizations that emerge, develop and contribute by means of their work to the achievement of the national wealth. But no organization can operate without the essential and creative contribution of the people. Work means people, physical and intellectual human resources involved in any type of activity. Without the presence of the individuals who know what, how much, how and for who to produce<sup>1</sup>, it would be impossible for the organizations to reach their goals.

Furthermore, human resources behave differently in the production process, each individual having its own perceptions of work as a whole and of the way it can be performed in particular. Normally, people act and react differently, ask questions and try to find solutions. This is why, leading people is the most difficult activity within the organization, incomparable with solving any work duty that does not involve the study of moral and legal aspects of human behavior. Therefore, a frequent mistake made by managers<sup>2</sup>, especially by those of human resources department, is that they make individual decisions in terms of managing or engaging labor resources. The perception of a sole person is subjective and cannot reach the full range of distinct personalities that he leads and coordinates. Regardless of the way we try to find the most appropriate answer depending on the work and life style within the organization, it can happen to be wrong.

Under these terms, talking about human resources means starting from the fact that these are and shall remain the most valuable investment of any organization due to the following: human resources produce and reproduce objective factors of production; create and stimulate the means of production and influence the effectiveness of material and financial resources use<sup>3</sup>.

According to traditional approaches, labor force is a special resource the creation in time of which needs special care demonstrated by training which entails certain costs that cannot be neglected.

In order to fulfill their goals, the organizations are and were bound to face challenges to ensure and maintain their competitive success on the market. This is why the organizations include goals on the management of the personnel and the personnel's performances in the long-term strategic objectives<sup>4</sup>. The strategies in the field of human resources became, in the last decades of the last century, a priority area of modern enterprises, including in the countries under communist domination, where, let's not forget, the

<sup>1</sup> Gheorghe Crețoiu, Viorel Cornescu, Ion Bucur, „Economie”, edition II, C.H. Beck Publishing House, Bucharest 2008

<sup>2</sup> Cătălina Bonciu, „Managementul resurselor umane”, Credis Publishing House, Bucharest, 2007, p. 9.

<sup>3</sup> Iulian Ceaușu, „Dicționar enciclopedic managerial – enciclopedia managerială”, vol 2, Academică de Management Publishing House, Bucharest, 2000

<sup>4</sup> ALMAS - Managementul resurselor umane - Bucharest, 2003, module I

concept of work is totally different from the Western countries.

According to some authors, to lead human resources is an expression of personnel practice<sup>5</sup> and represents a process of acquiring, allocation and use of human resources within the organization. But above all, to lead and coordinate labor resources means vision, motivation, training and concern for people, often even against their will.

Labor resources market is a true barometer of economic developments, being strongly influenced both by internal and external factors. On the background of employment drop, fluctuations of occupational nature can be noted depending on gender, age, residence, as well as on forms of ownership, field of activity, occupational status etc.

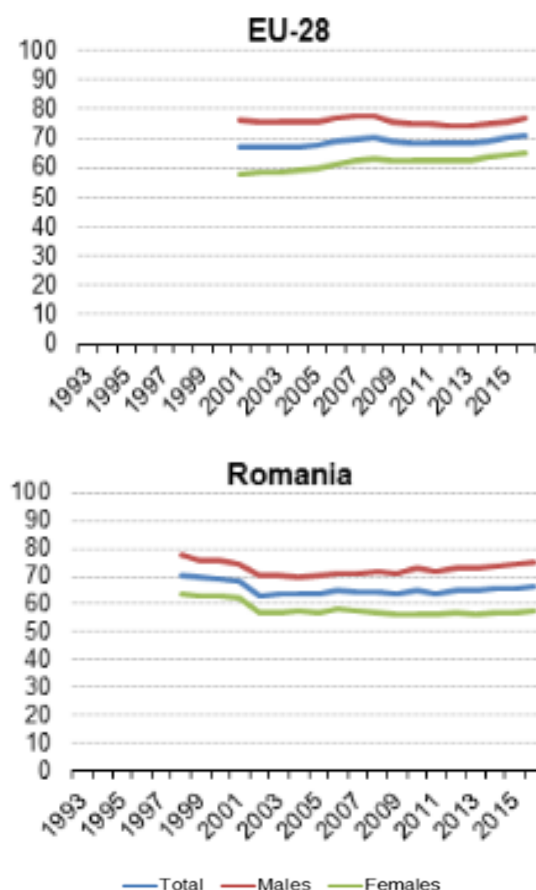
The demographic profile of the European Union labor market has significantly changed over the last few years. The percentage of employed women has increased in the last decade so that the gender gap in the labor market has fallen to 11.9% in 2011, compared to 17.1% in 2000. The migration is a factor that influences this market and the rise of the new member states which used the free movement of people to encourage changes in the ethnic and national profile on the European labor market. The demographic changes in connection with the aging of the labor force have led to the need to introduce new incentives to encourage older employees to continue working for a longer period of time<sup>6</sup>.

The analysis of the distribution of employed population by gender does not reveal major disparities. In 2016, the employment rate within the European Union, for persons between 20 and 64 years old,<sup>7</sup> was of 71.1 %, being the higher annual average recorded for the EU. Notwithstanding, behind these averages, big differences can be noted between the countries. The only member state with a rate higher than 80% is Sweden (81.2%). This is also valid in case of AELS states Island (87.8%) and Switzerland (83.3%). The following countries are part of the group of countries with rates at the level of 70% United Kingdom, France and Germany. The group comprises an area ranging from Ireland to the West, to Hungary, to the East, including the three Baltic States, Finland and Portugal.

Countries with rate of 60 percentage points form two clusters: West-Mediterranean / Adriatic (Spain, Italy and Croatia), and the other at the EU's eastern border, from the southern end of the Baltic Sea to the southwest end of the Black Sea (Poland, Slovakia, Romania, Bulgaria). Furthermore, this group of countries also include Belgium. Finally, we find a South Balkan/Caucasian group with rates below 60% (former Yugoslav Republic of Macedonia, Greece and Turkey).

Image 1 shows the evolution of employment rate for men and women since 1993. One of the most prominent features is the reduced gap of the employment rates regarding men and women. In most of the cases, this result from the increase of the women employment rates (for example, in Spain and the Netherlands), but there are also cases where the reduced gap comes especially from the drop in the men employment rates (Greece and Cyprus). Furthermore, in a group of countries, the evolution of employment rates for men and the employment rates for women reflect each other, by creating a stable gap between employment rates for women and men. The employment rates are lower among women than among men in all years and in all countries, with two exceptions: in Latvia and Lithuania, in 2010, after a sharp fall in employment rates among men and a more modest fall of employment rate among women<sup>8</sup>.

Image 1. The evolution of the employment rate among men and women between 1993-2015 in EU (28) and in Romania



Source: Eurostat (lfsi\_emp\_a)

<sup>5</sup> I. Beardwell, I. Holden, „Human Resource Management. A Contemporary Perspective”, Pitman Publishing, London, 1997, p. 6-10

<sup>6</sup> Sorina Enache - Interdependența dintre piața muncii și șomaj în economia postcriză, Economie teoretică și aplicată, Volume XX (2013), No. 8 (585), pp. 92-101

<sup>7</sup> as measured within EU investigation on labor force (LFS of EU),

<sup>8</sup> [http://ec.europa.eu/eurostat/statistics-explained/index.php/Employment\\_statistics/ro](http://ec.europa.eu/eurostat/statistics-explained/index.php/Employment_statistics/ro)

The analysis also shows that the labor market situation over the period for which Eurostat data is available varies widely from country to country. The largest group of countries recorded a slight and stable increase in the employment rate (Belgium, Germany, France, Luxembourg, the Netherlands, Austria, Finland, Sweden, United Kingdom and Turkey). Other countries remained on a flat trajectory, in other words, they recorded a stable rate (Denmark, Italy, Portugal, Slovenia, Slovakia, Norway and Switzerland). Another important group showed important fluctuations, but it had a higher rate in 2016 compared to different starting points (Bulgaria, Estonia, Ireland, Spain, Latvia, Lithuania and Poland).

In Romania of the latest 20 years, on the background of the decrease of the number of employed population, there is also a constant decrease of the share of young population in the total employed population. An analysis of their employment shows that inactivity and unemployment are related to younger people aged between 15 and 24. As a rule, young people are less present on the labor market because a large part of them is enrolled in the education system. On the other hand, the low share of young persons in the total of employed population is also determined by the difficulties they faced in the employment process, especially due to employers' requests on their work experience and skills, but also job offers inadequacy with their expectations. Long-term migration is also widespread and steadily increasing among young people, a phenomenon that will continue to adversely influence the evolution of working age population<sup>(9)</sup>. The employment and respectively unemployment rates among women aged between 15 and 24 is another aspect that has to be taken into account due to the fact that in 2015 the employment rate barely reached one quarter of the working age population. For the respective categories, the active measures of employment must take into account their inclusion and maintenance on the labor market, while fulfilling the principle of equal opportunities.

Global crises, political instability and the economic crisis at national level have influenced the efficiency of employment policies. The main constraints refer to the reduced institutional capacity of central and local public institutions, to limited interinstitutional collaboration, insufficient financing of actions, low implication of private sector in qualifications development process. Therefore, the past few years insisted on stimulating the creation of new quality jobs, fighting informal economy<sup>10</sup>, regional development and creating jobs in small villages and towns, appropriate correlation of the educational offer with the requirements of the labor market,

implementing active aging policies and lifelong learning, increasing the degree of inclusion on the labor market, improving cooperation between main actors on the labor market, modernization of the National Employment Agency, improving analysis and forecasting skills for efficient employment policies etc.

By returning to the analysis in Romania in the year of 2015, it can be noticed that employees showed a downward trend on the background of the increase of the number of self-employed workers. The number of employers in 2015 is a very modest one, which indicates a troublesome consolidation of market relations, but also the presence of a low entrepreneurial spirit.

Self-employed workers and family workers represent the majority in the informal employment, which, in its turn, reaches about 30% of total employment in agriculture, construction, services. They are particularly affected by precarious working conditions and are often outside of the scope of the labor law, which does not fully regulate non-standard forms of work with regard to seasonal work, short-term work at home, etc., thus perpetuating informal labor relations.

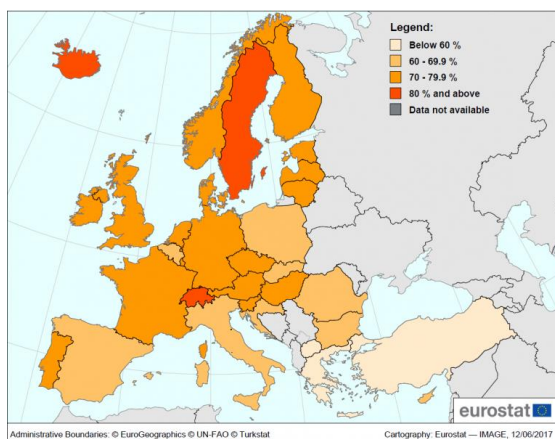
Unfortunately, at the moment, the economic imbalances seriously worsened have led to a reduction in the volume of investments in long-term tangible assets, causing Romania's economy to offer less and less employment opportunities.

Uneven distribution of age categories can be also noted at the European level. Therefore, we note from Eurostat analysis that the employment rate among people aged between 25 and 54 has remained basically the same since 2001 and until present, while in case of elderly persons (aged between 55 and 64) the rate has increased significantly, and for younger persons (aged between 15 and 24) the rate decreased significantly.

<sup>9</sup> Nicolaas de Zwager, Ruslan Sîntov. *Inovație în migrația circulară - Migrație și dezvoltare în Moldova: Studiu de piață*. NEXUS Moldova Intern. Agency for Source Country Information (IASCI), Centrul de Analize și Investigații Sociologice, Politologice și Psihologice (CIVIS). Chișinău, 2014

<sup>10</sup> The informal sector includes: 1. Unregistered employees, namely persons carrying out their activity within an economic or social unit; 2. Individuals in the absence of a contract or persons employed in unregistered non-agricultural family units; 3. Persons employed in agricultural holdings who sold more than 50 percent of the production, so they are active on the market.

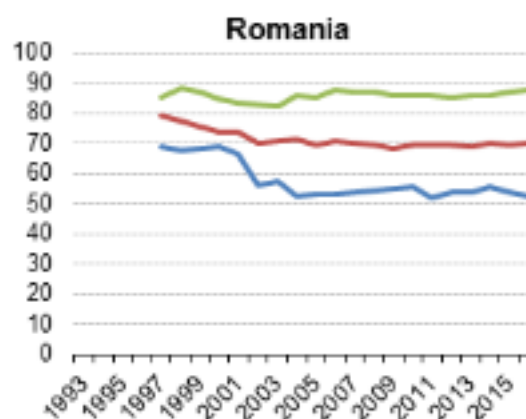
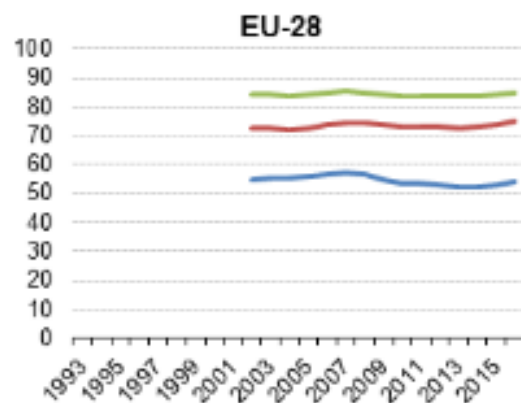
Image 2. Employment rate, category of age between 20 and 64, 2016 (%)



Source: Eurostat (lfsi\_emp\_a)

The employment rates significantly varies depending on the level of studies (see Image 3). The rates analyzed depending on the level of studies are based on the category of age between 25 and 64, since younger persons may still be enrolled in a form of education, especially in tertiary education, and such thing can be reflected in the employment rates. In 2016, in the European Union, the employment among persons aged between 25 and 64 who graduated tertiary education institution [short cycle tertiary education, bachelor, master or PhD. studies (or other equivalent studies)], was of 84.8%, much higher than the employment rate of persons who graduated at most a primary or lower secondary education institution (54.3%). The employment rate of persons with upper secondary or post-secondary non-university education was of 74.8% within the European Union. Apart from the fact they are already experiencing the lowest change of finding a job (among these educational level categories), the persons who graduated at most a lower secondary education institution were also the most affected by the crisis: the employment rate of this category decreased by 5.1% between 2007 and 2013, while the corresponding number of high-school education persons was of 1.7%, and for higher education persons was of 1.8%. As we can note in Image 3, it is very important that persons graduate at least high-school studies in order to have the opportunity to find a job in Belgium, Bulgaria, Czech Republic, Lithuania, Poland and Slovakia, but less in Denmark, Estonia, Greece, Cyprus and Luxembourg<sup>11</sup>.

Image 3. The employment rate according to the level of studies



-Less than primary, primary and secondary education (levels 0-2)

-Upper secondary and post-secondary non-tertiary education (levels 3 and 4)

-Tertiary education (levels 5-8)

Obviously, the largest professional category in the European Union in 2016 is represented by the employers in the field of personal services and sales, representing 9.5 % of the labor force or 21.4 million persons. These figures exceed the total number of the eight categories of occupation with the smallest share, which, among others, include all works in the agricultural and food processing industry field and members of the armed forces. The category of service and sales workers is followed by the officials that are again followed by administrative and commercial function experts<sup>12</sup>.

### 3. The main factors of impact on the labor market in the current background

The labor market of Romania is strongly influenced by internal and external social and economic factors, and in this background the quality of the work force has an overwhelming importance. Educational

<sup>11</sup> [http://ec.europa.eu/eurostat/statistics-explained/index.php/Employment\\_statistics/ro](http://ec.europa.eu/eurostat/statistics-explained/index.php/Employment_statistics/ro)

<sup>12</sup> [http://ec.europa.eu/eurostat/statistics-explained/index.php/Employment\\_statistics/ro](http://ec.europa.eu/eurostat/statistics-explained/index.php/Employment_statistics/ro)

systems must be adjusted to the requirements of the labor market, so that to generate human resources with a high degree of adaptability to the rapid changes of the European labor market and to the increasingly diverse demands of employers. In this background, we will analyze the factors with a major influence on work demand and supply, and the influences on the business environment and labor market institutions.

a) Factors of impact on work demand

Labor work, being a derivative component of the goods and services market, is also an inseparable part of the economic system and fully reflects the tendencies of its development. This is why, an important condition for the recovery of the labor market would be, first of all, the improvement of the economic situation on the labor market, especially in the real sector of the economy, which generates new jobs. Therefore, the main challenges in terms of labor demand in Romania are the following:

- the unfavorable environment for economic growth and the creation of sustainable and quality/attractive jobs: the existence of the paradigm of the economic development based on consumption; the high level of informal economy; the lack of priorities to promote productive transformations and support for growth potential sectors and sectors which can create sustainable jobs; unsustainable economic growth with limited potential for jobs creation; asymmetric economic growth; the extension of activities in “subsistence agriculture”; the lack of genuine social dialogue on macroeconomic measures and policies, low work productivity;
- the shortage of appropriately qualified labor force, especially in the rural environment, both for technological agriculture and for the development of the business in non-agricultural sectors;
- the slow progress in improving business climate (started in 2016) was seriously affected by legislative changes of 2017 (the modifications of the Tax Code, the modification of the minimum age without correlating it with labor productivity etc.).

b) Factors of impact on work supply

In what concerns labor supply, this was strongly influenced by the evolution of demographic indicators, but also by the level and quality of professional training of human capital. The continuous decline of population affects labor market by reducing the number of active population and aging of the labor force, thus generating an increase in the dependency ratio of elderly people, as well as in the economic dependency ratio. The level and quality of employment depends to a large extent on its professional training, which generates the degree of adaptability and employability on the labor market.

In order to develop employment policy and strategy to identify and provide coordinates for a certain period, it is required the existence of correctly identified and reviewed data and information, and in order to correlate labor demand with supply, it is required the development of a solid platform of social dialogue between all the actors involved in this process

(Ministry of Labor and Social Justice, Ministry of National Education, Ministry of Business, Trade and Entrepreneurship, Ministry of Economy, other educational institutions, economic agents, business associations, sectoral committees and social partners), in order to produce the most accurate forecasts under which the state demand for different jobs/professions will be established.

c) The factors of influence on social dialogue on the labor market

The increase of the awareness of social dialogue importance, as well as its development in order to conduct consultations and exchange of information in the field of social and economic policies are critical for strengthening mutual trust and cooperation between employers, employees, central specialized bodies of the government and local government authorities.

One of the problems that we have to face in this field is the poor capacity to create partnerships, especially at the local level, the lack of constructive local dialogue among the main actors with potential to contribute to community development (local government, private sector, civil society, donors, community, including migrants).

d) Institutions and mechanisms on the labor market

One of the key-conditions to obtain a sustainable increase of the employment rate with impact both on individuals and on the national economy as a whole is the consolidated institutional capacity of all actors involved in the development and performance of public policies in the field, as well as the existence of appropriate mechanisms to ensure the implementation of public policies. An important role must be played by the increase of the institutional capacity of the local government authorities. Regional/local authorities have a critical role in the economic and social promotion and development of regions. The institutional capacity of the National Employment Agency needs to be continuously consolidated and adapted to labor market requirements in order to comply with the policies in the field and to achieve the development of modern labor market, to enable the increase of employment opportunities and to ensure a sustainable integration of the persons within the economic circuit.

From the perspective of the institutions and mechanisms available on the labor market, the following challenges were identified:

1. Low institutional capacity of the relevant actors on the labor market: low institutional capacity to issue, implement and assess employment policies; the need to modernize Public Employment Service nationally and locally; low institutional capacity to implement active employment measures, including by offering equal opportunities to women; low capacity to control the fulfillment of labor law, as well as to implement the provisions of employment policies on the labor law. Private sector has low capacity to contribute to the development of qualifications, and this is something that must be remedied;

2. The low level of wages, especially of the minimum wage. Despite all current measures taken for wage increase, if this is not correlated with an appropriate labor productivity, it can turn into a burdensome expense for any government. The high number of unproductive jobs is one of the causes of low wages. Another identified problem is the high share of undeclared salaries and the removal of the gap between minimum wages for the budgetary sector and the real sector of the economy;
3. the existing pressure within the social protection system generated by aging of population with consequences on human capital and social security system; the demotivating nature of the social security system; the high level of poverty and social exclusion, especially in rural areas; inefficient social inclusion measures, including on the labor market, for vulnerable persons.

#### 4. Migration - a complex phenomenon of influences on labor force

Not only in our country, but also at European level in the current economic background, the situation of labor force is generalized. „The new challenges brought by the decline and aging of population will require objective, detailed and complete reconsiderations of many existing economic, social and political existent programs and policies. Such reconsiderations shall include a long-term perspective. Critical issues to be approached by these reconsiderations: (a) appropriate retirement age; (b) level, type and nature of retirement and healthcare benefits for the elderly; (c) participation in the economic activity; (d) appropriate level of pension and health contribution for an increasing elderly population; (e) policies and programs on international migration, in particular replacement migration and the integration of a large number of recent migrants and their descendants<sup>13</sup>”.

The migration crisis will lead to reconsiderations and adjustments of immigration policies in developed European countries and potentially to reconsiderations of development strategies. Governments are expected to undertake programs and measures to increase the participation of inactive national population in economic activities (alongside measures already taken to increase standard retirement age and length of service for full retirement). The reserves are important if we take a look at the employment rates of working age population (15-64 years old): values of 72-74% in Germany, United Kingdom, Sweden, the Netherlands, Denmark and values lower than 65% in most of the

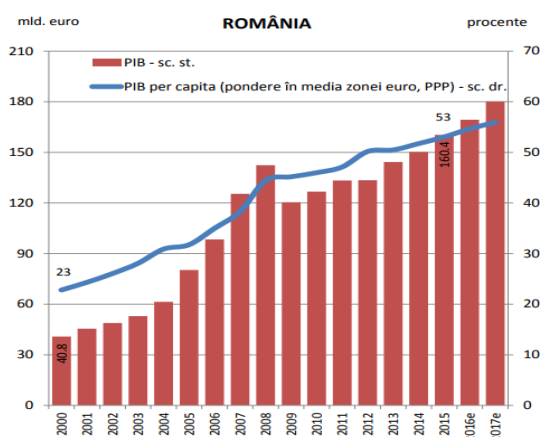
other countries (61% in our country) (Eurostat, 2016b). On the other hand, this year in February, the employment rate reached 10.2% in France, 11.7% in Italy, 12.3% in Portugal, 20.4% in Spain, 24% in Greece, 21.7 millions of unemployed persons being recorded in the European Union (Eurostat, 2016c; 2016d)).

However, migration will continue to be indispensable for developed economies, but changes are expected in terms of the level of the phenomenon and the flows origin. An expectation period is foreseen after the great wave of 2015 and its unknown consequences and implications<sup>14</sup>.

#### 5. Labor force in Romania

Although in the last 15 years the GDP increased 4 times, from EUR 40.8 billion in 2000 to EUR 160.4 billion in 2015; Despite this, the increase of the GDP does not effectively show the welfare of the persons and how good the quality of the environment is (Eurostat – section GDP and beyond).

Image 4. Evoluția PIB - 2000 - 2017



Sursa: <http://www.bnr.ro/DocumentInformation.aspx?idInfoClass=6885&idDocument=22336&directLink=1>

The Romanian economy recorded a cyclical growth between 2014-2015, so that in 2016, the economic growth reached the peak in relation to the post-crisis period (4.9%), a situation generated by a strong domestic demand on the background of pro-cyclical tax policies. The economic growth is projected to remain stable during the term used for forecasts, namely of 3.7% in 2018. The current account deficit broke down in 2016 and is expected to be worse, as strong domestic demand led to increased imports. Private consumption continued to increase, by being encouraged by strong wage increases and by the decrease of indirect taxes. While private investments

<sup>13</sup> Coleman, David. 2010. Who's afraid of low support ratio? A UK response to the UN Population Division Report on "Replacement Migration", Expert Group Meeting on Policy Responses to Population Ageing and Population Decline, Population Division, United Nations, New York, 16-18 October 2000

<sup>14</sup> Vasile Ghetau – Poluția Uniunii Europene și migrația. <http://www.contributors.ro/global-europa/populatia-uniunii-europene-si-migratia/>

benefited from low interest rates and a stable level of investors trust, public investments were reduced in 2016 due to a low level of EU funds absorption. The employment slightly decreased in 2016 and it is expected to grow at a moderate pace<sup>15</sup>.

The Romanian balance sheet on labor market, education and social reforms is heterogeneous. Progress in reforming public employment services was initially slow, but accelerated significantly in 2016, being catalyzed by the efforts of Romania to meet the preconditions for obtaining EU funds. The repeated requests to extend the area of active policies in the field of labor force and to increase their efficiency received an appropriate answer in 2016, by legislative amendments, the integration of national budgets and of the European Social Fund, as well as by means of a better coordination between employment and social care services. The recommendations specific to each country (RST) which were successively formulated in order to find solutions for the problems regarding employment among young people and the high percentage of young persons who are not professionally enrolled and do not attend any educational or training program found their answer in a more integrated approach, which was proposed in 2016, including by granting a central role to the National Employment Agency. Salary tax was reduced, but no specific objective was envisaged. Repeated requests to fight undeclared work generated limited progress, highlighted by joint inspections carried out by tax administration and Labor Inspection in 2016.

Furthermore, so far, there has been limited progress on the set up of a mechanism for the establishment of the minimum wage, the decisions made not being based on objective criteria. In what concerns social inclusion, the Law on minimum inclusion income was adopted in 2016 and will become effective throughout this year. During 2016-2017 the reorientation to the introduction of integrated services for disadvantaged groups started and could have an important impact if fully enforced and extended nationally. There has also been modest progress in improving the quality and access to pre-school children education and care by introducing social vouchers for poor families, including for gypsy people. Early school leaving strategy was adopted although nothing was improved in this respect in 2016, but it will be essential to speed up implementation on the field in order to decrease school dropout rate. The registration of certain results in the field of vocational and technical education was intended (VET) by adopting a VET strategy and by re-introducing vocational schools, but these measures were inadequately correlated with the labor law.

## 6. Conclusions

The access to decent work for all citizens is a priority for labor market policies across the European Union because this is the basic mechanism of social inclusion. The diagnosis of the labor market situation shows profound social dislocations caused as a consequence of the transformation of the economic structures after 1990: the decrease of the number of active population and employed population until 2006, the high share of the agriculture in the structure of the employed population by activity sectors, seasonal nature of the labor market, etc. In relation to the European statistics, there is a gap between the Romanian labor market and the European markets. While in the urban environment, labor market is in line with the European general model, with a sub-representation of entrepreneurs (business owners and self-employed workers), in the rural environment, the labor market rather follows the model existing at the beginning of capitalist societies, the majority of the population works in own households and is not connected to the mechanisms of the market economy<sup>16</sup>.

The evolution of the employment and social situation in Europe: the analysis of 2017 shows positive trends, but points out high pressure on young persons<sup>17</sup>. The employment rate has never been so high in the EU, by being in fact 234 million persons with job and, at the same time, the unemployment rate is the lowest since December 2008. As of 2013, 10 million jobs have been created in the EU. However, beyond social and economic progress, there is evidence showing the existence of a great pressure on younger generations. In this context, Marianne Thyssen, the European Commissioner for Employment, Social Affairs, Skills and Labor Mobility declared: "This annual review shows once again that we are firmly on the path towards more jobs and growth. However, today's young and their children may end up worse off than their parents. This is not what we want. Swift action is needed. With the European Pillar of Social Rights we want to preserve and improve our social standards and living conditions for future generations."

The report that the European Commission draw up last year showed that, despite the steady improvement in EU living standard, young people do not benefit from this positive evolution as much as elderly. Furthermore, the share of younger persons in labor income decreased over time. These challenges affect the decisions of young couples, including the decision of having children or buying a house. In its turn, this can have adverse effect on fertility rates and, therefore, on the sustainability of pension systems and economic growth. Furthermore, the working age population is projected to decline by 0.3% each year until 2060. This means that a lower number of

<sup>15</sup> <https://ec.europa.eu/info/sites/info/files/2017-european-semester-country-report-romania-ro.pdf>

<sup>16</sup> Presidential Administration, Presidential Commission for the Analysis of Social and Demographic Risks – Social risks and inequities in Romania, September 2009, pp.30

<sup>17</sup> European Commission – Press release on employment and social developments in Europe (ESDE). Bruxelles, July 17<sup>th</sup> 2017



employed persons will have to ensure the maintenance of current growth trajectory and, at the same time, a lower number of taxpayers will contribute to pension systems – often with lower and/or irregular contributions as they will not be corresponding to full-time and/or standard work- while more pensioners will depend on them. Today's young workers and future generations therefore seem to face a double burden stemming from demographic change and the need to ensure pension systems' sustainability.

Policy makers can prepare for and mitigate these evolutions in several ways. First of all, we need to make full use of our human potential on the labor market, by activating and equipping with the right skills all generation groups and making sure there is a proportionate link between the duration of working lives and life expectancy. Policy efforts resulting in higher fertility and efficient migration management can also help, as well as supporting innovation and increasing efficient spending on investment in young and old people's skills and their education. Lastly, social partners can make a major contribution to bridging the gap between younger and older workers to promote a fairer labor market for both. This includes promoting lifelong learning, the provision of social protection benefits and contributing in the design and implementation of employment protection legislation and active labor market policies. Investing in people and empowering them to harness quality job opportunities is exactly at the heart of the 'New Skills Agenda for Europe'. It has the aim to support the development of citizens' skills to prepare them for the changing world of work.

According to the study drawn up by KeysFin, Romania had, in 2016, an employed population of 8.45 million<sup>18</sup> (private & public system), compared to 9.35 million in 2007. If in 2007 our country had 5.19 male employees, in 2016 the number was of 4.8 million. A similar decrease, but even more pronounced, is registered among women. “The statistical data partly confirms the Romanians’ exodus towards the West. Since the EU accession in 2007, many Romanians have chosen to leave to developed countries, searching for better paid jobs, better living”, the analysts explained. The highest labor demand is among experts (17,731 jobs), almost double compared to 2009, but remains under the record level of 2007 (22,295 jobs). Statistical data shows that there is also a high demand of service workers (8,205 jobs), along with facility and machinery operators/machines and equipment assemblers (7,035) and qualified workers (6,904 jobs). Overall, on the background of the economic growth, the demand for qualified workers in the economy has evolved over the

last few years, but remained under the value of 10 years ago”, KeysFin analysts state.

Despite the attempts to remedy labor force situation, the crisis of 2009-2010 strongly hit private initiative, which shows that the number of entrepreneurs decreased in 2016 to 1.6 million compared to over 2 million in 2007. More than 400,000 businesses were swept away by the crisis. Take a look of this number from the point of view of business relations horizontally in the economy and you shall have the real dimension of the socio-economic impact”, KeysFin experts explained. According to the data of the National Prognosis Commission, it is estimated that the labor market will not record significant increases in the future. The estimation of the National Prognosis Commission shows that the average number of employees will increase until 2020 to 5.6 million, compared to 4.95 million in 2017, out of which 4.6 million will be in the private area, the rest will be employed with the state. The perspective of the authorities on salary evolution until 2020 provides the increase of the net average wage of over EUR 130 (RON 590) from RON 2274 in 2017 to RON 2864 in 2020.

The following are among short and medium term actions which can stimulate employment growth among young persons, especially in case of our country<sup>19</sup>:

- support for young persons to create and develop micro-enterprises, aiming to strengthen entrepreneurship among young persons;
- tax incentives for enterprises using indefinite labor agreements or for turning temporary agreements in indefinite labor agreements;
- consolidation of professional training courses, advice on setting up small businesses;
- promotion of professional information, guidance and counseling services;
- promotion of the training on the job for low skilled and unskilled young persons; Perspectives of Romanian labor market on the background of the European strategy 2020 243

On the long term, we believe that a significant impact would be represented by the launch of investment programs (minimum 2% of the GDP) for the development of educational systems.

The Romanian labor work is nowadays strongly affected by the government actions of 2017 which aimed the modification of the tax code, the level of the minimum wage and salary law. The Romanian business environment is severely distorted by these measures which did not have sufficient impact-based studies.

<sup>18</sup> Teodora Cimpoi “Cum arată economia românească a muncii, la 10 ani de la aderarea la Uniunea Europeană”, România liberă May 1<sup>st</sup>, 2017

<sup>19</sup> Lucian-Liviu Albu, Petre Caraiani, Marioara Jordan - Perspectivele pieței muncii din România în contextul Strategiei Europa 2020 - pp. 242-243. <http://www.cnp.ro/inovatie/docs/seminar-studii-25-06-2012/Rezumat%20studiu%20Piata%20muncii.pdf>

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