

## THE COMPETITIVENESS OF ROMANIA IN TERMS OF UNEMPLOYMENT

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**Abstract.** *Unemployment is one of the five key objectives when economic growth is taken into consideration as well as employment, in accordance with the strategy launched in 2010 also known Europe 2020. European Union pays great attention and spares no effort to overcome the economic crisis, to promote a competitive economy, to create jobs with high employment. The main target of the Europe 2020 strategy program is the increasing of the employment rate of the labour force, up to 75%, among the population aged between 20 and 64 years. Currently, the workforce is predominantly female, because the female population share is increasing and their life expectancy is higher than that of men. Of course, higher education counts as well when it comes to the unemployment rate. The more a person is prepared, the easier they will find a job. During 2007/2008, our country occupied the 21<sup>st</sup> place among the 27 European countries, with a rate of 54%, under us being Slovakia 51%, Germany 51%, Austria 51%, and Bulgaria 50%. Also, the more developed countries have much higher rates of education, such as Finland 94%, Greece 91%, and Denmark 80%. Employment is a fundamental factor of development. The economic crisis was felt throughout Europe, including Romania as well, affecting hundreds of thousands of people. In 2014 Romania was only 4.3 percentage points away from reaching the national target employment rate of the population imposed by the Europe 2020 strategy.*

**Keywords:** *unemployment; economy; European Union; youth; unemployment evolution; unemployment rate.*

### Introduction

Unemployment is the form of underemployment or inactivity, which includes all persons who require work in exchange for money, but not all individuals can practice the occupation learned in school or work in their area of residence.

Unemployment is considered lack of payment, payment of money to people who do not provide any service. It differs from one country to another, while in the US, The US Central Bank (the Federal Reserve) announced that in 2014, the US recorded the lowest level of unemployment in the past six years, highlighting the strength of the global economy, things are different in the EU, as the euro area is mainly a changing indicator, because the main contributor is Germany with the northern states that have a prosperous life, but there are also countries with lower incomes, presenting a threat for the Union, since their economy growth is slow. Of course, there is a high unemployment rate in Romania as well. As in other EU countries, Romania ensures rights to every person. In addition to safety, education, health, the individual has the

right to choose their own desired job and they have the right to unemployment insurance.

The purpose of this paper is to highlight and define unemployment in our country. In 2014, Romania was only 4.3 percentage points away from reaching the national target regarding the employment rate of the population, imposed by the Europe 2020 Strategy. The main target of the Europe 2020 Strategy program is to achieve the employment rate of 75% among the population aged between 20 and 64 years. In September this year, there was recorded an unemployment rate of 4.89%. Of all these unemployed, over 15% of people are from rural areas and are illiterate or have completed only primary school. On average, 60% of existing unemployed cannot find jobs because they either have too few studies, or they do not have experience or the job is not in the area of housing, but there is no infrastructure or jobs available. With this theme, I aim at introducing the evolution of unemployment from its definition to the disadvantages presented to society in the matter. I chose the subject of "unemployment" after reading an article related to unemployment among university graduates, and how I am among those who finished college and wondering how quickly they will find a job, the news caught my attention. According to the Agency for Employment of Bucharest, at the end of June, there were registered 21 328 unemployed people, of which 5419 having graduated from university, of which only 1,200 graduates have received compensation.

Although the labor market was different for the better during the previous years, wage levels remain low, with an average of 500 euros per month, and only IT sectors are better paid. Many people do not accept a salary of 500 euros, because the amount is not sufficient when they have families to support and installments to pay to banks. On the other hand, employers do not employ young university graduates because they do not have sufficient experience and training costs are very high.

According to the studies, among young people aged between 15 and 24 years, one in four is unemployed, and the number is increasing because of the growing number of young people who get low grades at the baccalaureate examination. Another reason is the refusal of the unemployed to accept resettlement.

Currently, the workforce is predominantly female, because the female population share is increasing and their life expectancy is higher than that of men. Of course, higher education counts as well when it comes to the unemployment rate. The more a person is prepared, the easier they will find a job. During 2007/2008, our country occupied the 21<sup>st</sup> place among the 27 European countries, with a rate of 54%, under us being Slovakia 51%, Germany 51%, Austria 51%, and Bulgaria 50%. Also, the more developed countries have much higher rates of education, such as Finland 94%, Greece 91%, and Denmark 80%.

Studies have shown that we have a much higher rate of employment in the elderly of 55-64, compared to young people. In 2014, the employment rate was 43.1%, with 20.6% more than the employment rate of young people aged 15-24 years. The highest employment rate of older people with higher education was approximately 82.5%. As the level of education and employment decreases, if a person has fewer studies, they will find it more and more difficult to find a job. If the percentage for people with

higher education is 82.5%, for those with secondary education, the percentage drops to 65.0%, for those with low education reaching 44.4%.

According to John Maynard Keynes, unemployment is a major life disruption that manifests as an economic imbalance. When employees realize that the work done cannot be rewarded by a salary anymore, they become anxious, and a small financial help will only increase nervousness and desperation. Also, Keynes stresses that the state needs to balance the spending rates. Keynes also believes that voluntary unemployment is the refusal of persons with no income to have a job.

The William Philips curve explains that unemployment is directly determined by reducing the expenditure, by lowering the prices of consumer goods and services. W. Philips wanted to highlight the following actions: when unemployment is rising, wages fall and unemployment decreases when income increases. According to W. Philips, unemployment is directly proportional to inflation and the decrease or increase trend.

An unemployed person is a person who fulfills the following conditions:

- Is between 16 and 65 years old and works towards finding a job;
- Is physically and mentally fit for work;
- Has incomes that are lower than the benchmark of unemployment insurance;
- Wishes to begin working immediately, if they would find a workplace.

Unemployment is represented by the following levels:

- Absolute, determined by the number of unemployed people;
- Relative, calculated as the report between the number of unemployed people and the active population;
- The labor market is the social economic area called the meeting point between capital owners, as buyers, and workforce holders, as sellers.

The forms of unemployment are: frictional unemployment, structural unemployment, cyclical unemployment and natural unemployment. Frictional unemployment is temporary and it can be caused by relocation as well structural unemployment affects people over 45, as required professions change and are no longer useful for employers. Cyclical unemployment is caused by economic crises and temporary unfavorable circumstances, but repeated at longer or shorter intervals and is usually encountered during recession. Natural unemployment is the unemployment level when prices stabilize and meet potential national economy in a given period. Natural unemployment includes frictional and structural unemployment.

Unemployment is represented by: duration (short, medium and long), intensity, structure and number of unemployed persons. Because salary, like unemployment, is flexible and varies from one period to another, we see unemployment in two forms: voluntary unemployment and transitional unemployment. Voluntary unemployment can be determined by: citizens who voluntarily want to stay home and collect unemployment benefits; category of people waiting to find a job much better paid than the market at that time; housekeepers, especially women, who prefer to wait for salary increase in order to search for a job.

Involuntary unemployment, also called forced unemployment, which is a secondary effect, is characterized by: individuals who cannot become entrepreneurs or

employers, social security contributions, legal minimum wage is too low for employees standards and studies / professional certifications, individuals who have inadequate or no education.

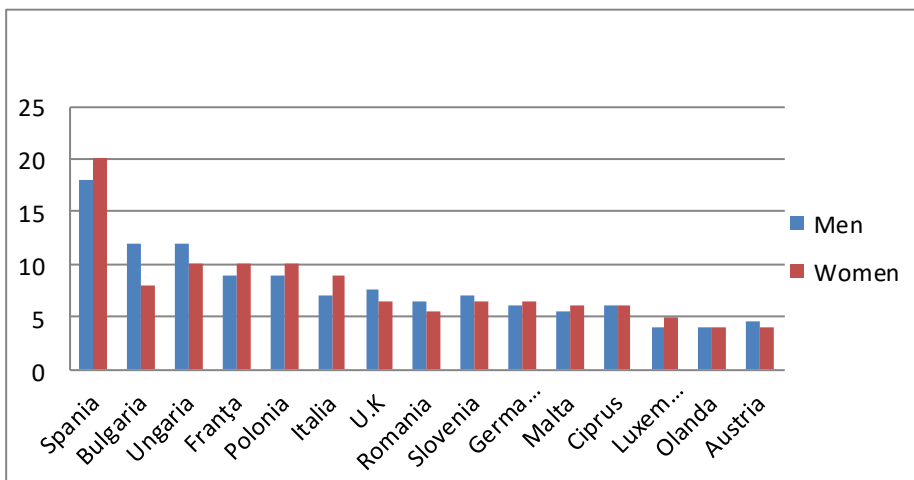
The functions of the labor market include socio-economic, education and social protection and assistance aspects. At the household level, unemployment has a strong impact, affecting the entire income of the family, because the monthly amount received after unemployment is much lower than the salary. At a country level, unemployment has a big impact on GDP, because the goods production declines.

The losses of the country regarding unemployment: expenditures on unemployment payment, loss of production of goods, costs with another training through different training course and expenditures on labor market reintegration and adaptation programs

### Unemployment in Romania and in the E.U.

All countries in the European Union, in 2010, faced the problem of unemployment. If Spain unemployment among women was higher, at about 20% of the total population, in the Netherlands and Austria the rate was of only 4%. Most unemployed men were Spanish, and the fewest were Dutch and from Luxembourg. Romania was in mid-table with female unemployment rate of only 6% and 7% among men, from the total population.

Guy Ryder, the General Director of the International Labor Organization believes that Europe is facing a real unemployment problem because the population is aging, and most young people are unemployed. He said that unemployment in Europe is twice the normal value of 6.6%, and each country must take action to change this situation.

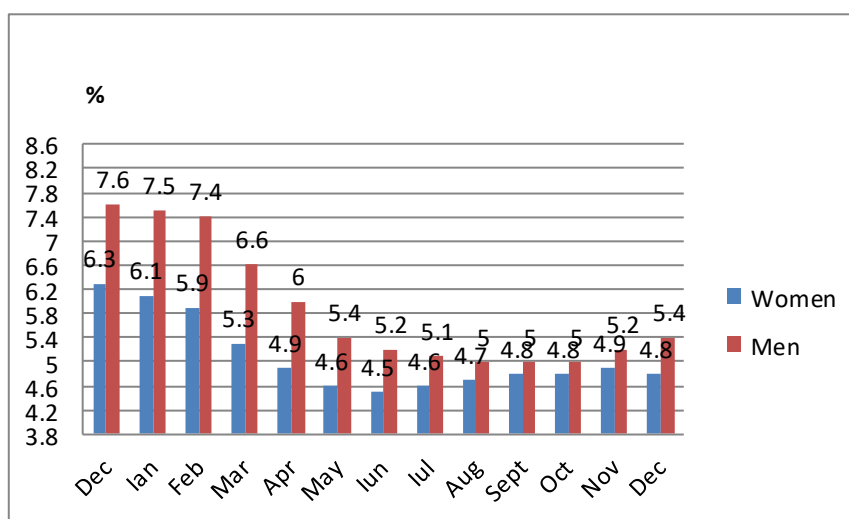


**Figure 1. The unemployment in Europe in 2010**  
(Eurostat Yearbook, 2010, p.234)

Starting with 2011, the unemployment rate suffered multiple fluctuations. If in December 2010 the rate of unemployment among men was of 7.6 %, and of women, of 6.3%, in December 2011, the situation was different, with 5.4% among men and 4.8 % among women of the total population. The average net monthly earnings in 2011 raised by 3,8% in comparison to 2010. In 2010, there were 70.497 unemployed persons. At the end of 2011, the number of unemployed young persons represented 19,15%, and of adults, 33,75%.

The financial crisis continued both in 2010 and in 2011, but 2011 was a better year and there were fewer unemployed persons compared to 2010. According to the indicators, the unemployment rate followed a normal fluctuation, dropped during the summer and increased during winter.

The main area of activity was in the service sector, with a share of 42.6%, followed by industry and construction with 28.8%, while the third position was occupied by agriculture, with a share of 28.6%.

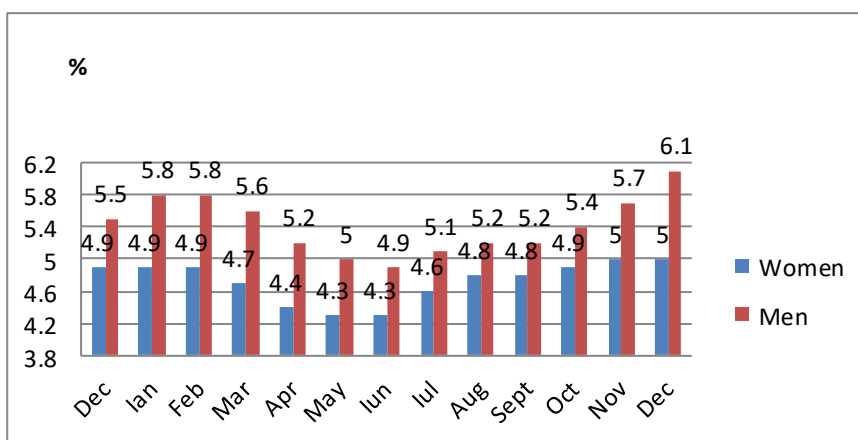


**Figure 2. The unemployment rate between December 2010 - December 2011**  
(Adapted from the National Institute of Statistics, 2011)

According to the charts in 2012, the unemployment rate in April fell slightly compared to the same month of 2011. We can see that May and June saw the lowest unemployment rates in the current year (2012), but also compared to the previous. The highest rate of unemployment among women was recorded in November and December, 5%, and among men, 6.1%, in December. According to the surveys, the International Labor Office believes that most of the persons aged between 15 and 74, do not have a job, but within the last month, they searched for a job. According to research, the employment rate of the population aged between 20 and 64 had a high level of employment with an employment rate of 63.8% with only 6.2 percentage points below the national target of 70%, set by the Europe 2020 Strategy.

According to statistics, the highest rate of youth unemployment was located especially in higher education graduates, reaching 81.4%. Depending on the low levels of

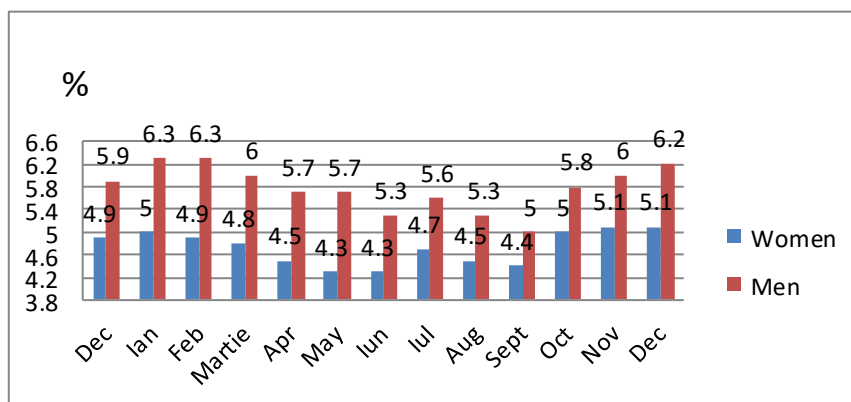
education, employability lowers too. The population distribution shows that 42.4% of the population worked in services, 29.0% in agriculture and 28.6% in industry and construction.



**Figure 3. The unemployment rate between December 2011- December 2012**  
(Adapted from the National Institute of Statistics, 2012)

According to the chart, the first drop in the rate of 2013 was recorded in April, among women, with 4.5 % and more by 1% compared to the same period of the year before. The total number of unemployed at the end of the month were 467,000 and in March, plus 25,000 more. Women worked mostly in the administrative field- 63.4% and services - 60.3%, and men, a percentage of 56.5%, were unqualified, and 52.5% worked in areas such as beekeeping, forestry and fishing. The number of employees in the social services sector represented 20.8% of all the employees of the economy.

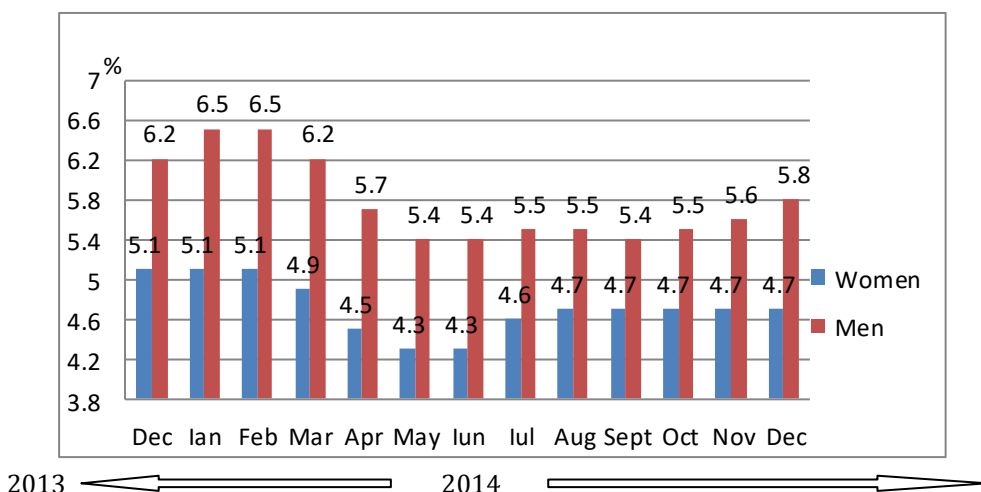
Most unemployed people, about 134,000, are aged between 40 and 50, and the fewest, around 36,000, are graduates aged between 25 and 40. In June 2013, the unemployment rate was 4.96%, with 0.07 percentage points less than in May.



**Figure 4. The unemployment rate between December 2012-December 2013**  
(Adapted from the National Institute of Statistics, 2013)

In August 2014, the unemployment structure was divided into: 85,000 unemployed people under 25 years old, 34,000 were between 25 and 29 years old, 96,000 unemployed were between 30 and 39 years old, and approximately 250,000 unemployed were between 40 and 55 years old.

In 2014, we can see that the largest increase in unemployment among men in the past three years of 6.5%, while the rate for women remains constant. According to the National Agency for Employment, in 2014, by level of education, the unemployed with no education and those with primary education, secondary and vocational education have the highest share in the total of the registered unemployed, i.e. 74.71%. Unemployed persons with upper secondary education level account for 19.24% of the total registered unemployed, and those with university education, for 6.05%. Moreover, the NIS confirms that most Romanian people work in agriculture, forestry and fishing, and another large percentage works in services. The most productive activities, followed by financial intermediation activities for women, were recorded in health and social assistance, with 79.8%, and education, with 69.6%. The county with the most unemployed persons is Vaslui (11,15%), followed by Teleorman (10,92%) and by Mehedinți (9,75%).



**Figure 5. The unemployment rate between December 2013- December 2014**  
(Adapted from the National Institute of Statistics, 2014, p.69)

According to statistics, the unemployment rate in 2014 was significantly lower compared to the previous year. The decrease was of 3%, with percentages of 7.1% in 2013 and 6.8% in 2014.

According to the chart, women have remained at the same unemployment rate of 4.7% in August and December. The unemployed with high school degrees and post-secondary education account for 20% of the total number of unemployed persons, and 6.41% represents those who have higher education. Young people aged between 15 and 24 years accounted for 24% of the percentage of unemployed.

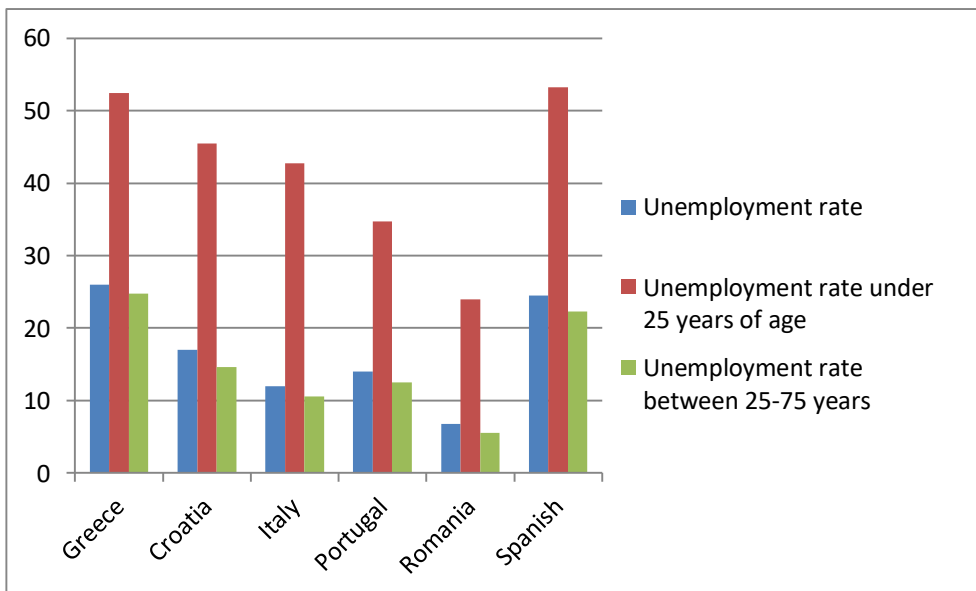
In February 2015, the number of unemployed was down compared to the same month in 2014. According to the chart, the rate of unemployed men is with 0.6% higher than

women. According to the Economic Growth Strategy of the EU for 2020-2014, Romania was only 4.3 percentage points of reaching the national target of the population employment rate and reached 65.7% compared to 70% as the proposed target was. According to statistics, young people aged between 15 and 24 accounted for 22.5% of the employment rate.

In 2015, the employment rate of the aged population workforce between 15-64 years were 61.4%, up from the previous year by 0.4 percentage points. Also, the occupancy rate in 2015 of the population aged 20-64 was 66.0%, at a distance of 4.0 percentage points compared to the national target of 70.0% set in the context of the Strategy Europe 2020.

In 2015, Romania's active population was 9.159.000 people, of which 8.535.000 were employed persons and 624.000 were unemployed. In 2015, the employment rate of the working age population between 15-64 years were 61.4%, rising compared to the previous year by 0.4 percentage points. As in previous years, the employment rate was higher at men were 69.5%, compared with 53.2% for women and for people residing in rural areas 61.7% versus 61.3% in urban areas. The employment rate of young people between 15-24 years were 24.5% and that of elderly between 55-64 years of 41.1%.

Romania is in an unfavorable position when it comes to youth unemployment. Thus, according to data reported by the Institute of Statistics at Eurostat (the European Commission's statistical office), the unemployment rate among young people under the age of 25 is 24% in Romania, above the European average of 22.2%. However, the situation in Romania is better than in countries such as Spain (with a record unemployment rate among young people, 53%), Greece (52%) and Croatia (45%).

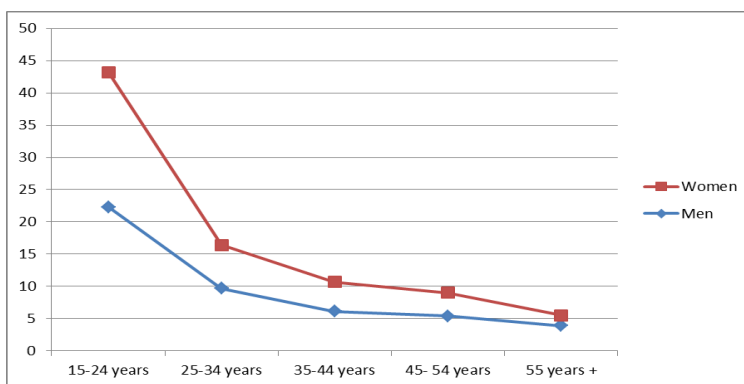


**Figure 7. The unemployment rate in 2015**  
*(Adapted from the National Institute of Statistics, 2016)*



As well, in 2016, 349.000 inactive people wanted to work, but either they were not looking for work or they were not ready to start working for various reasons. The share of undocumented persons in the total active population was 2.4% in 2016, with 0.5 % points lower than the previous year. In the additional potential workforce was 349.000 people, down 3.3% compared to the previous year.

The national unemployment rate was 4.75% at the end of November, 0.01 % points lower than in October 2016 and 0.13 percentage points lower than in November 2015. Unemployed without education and those with primary, secondary and vocational education had the highest share in the total number of unemployed registered about 79,66%, while the unemployed with high school and post-high school education represented 16,09 % and those with university studies about 4.24%.



**Figure 8. The unemployment depending of age**  
(Adapted from the National Institute of Statistics, 2016)

In January 2017 the seasonally adjusted unemployment rate was 5.4%, decreasing by 0.1% compared to the previous month, when it registered the value of 5.5%, according to data provided by the National Institute of Statistics on 2 March 2017. The number of unemployed aged between 15 and 74, estimated for January 2017, was 488.000 of people, down 5.000 compared to December 2016, when 493.000 of people were registered and 94.000 persons as of January 2016, when 582.000 unemployed were registered.

The male unemployment rate surpassed that of women by 0.9%, with 5.8% for men and 4.9% for women. For adults aged 25 to 74, the unemployment rate was estimated at 4.3% for January 2017, with 4.8% for men and 3.7% for women. The number of unemployed aged 25-74 represented 74.6% of the total number of unemployed estimated for January 2017.

In conclusion, we can see that the unemployment rate in Romania is below the European Union average of 5.4% in January 2017, down from 5.5% in December 2016 versus 9.6% in the average at European level. But at the end of April 2017, the unemployment rate registered at national level was 4.34%, lower by 0.21 % than in the previous month and lower by 0.35 % than that of April 2016. Most unemployed people were between 40-49 years of age about 115.204 of people, followed by those in the group aged 30-39 about 81.719 of people, with the opposite number being between 25-29 years about 29.846 of people.



**Figure 9. The unemployment rate in 2017**  
*(Adapted from the National Institute of Statistics, 2017)*

## Conclusions

According to the studies, Romania registered in July of this year a national unemployment rate of 6.8%, with 630,000 unemployed, thus occupying a favorable position among the European Union states, ranking eighth in the list of countries with the lowest unemployment rate. It is true that our country has low unemployment rate compared to other countries such as France (10.3%), Poland (9%), the Netherlands (7.4%), but when it comes to the youth unemployment rate, Romania ranks negatively. According to the Eurostat Institute of Statistics, the European average regarding youth unemployment rate is 22.2%, while Romania recorded a 24%.

The percentage of the unemployed among the youth still remains high because employers increasingly focus on experience. Schools, colleges or universities do not have sufficient practical projects to help young people gain experience and improve their knowledge. Young people should acquire qualification in IT, leadership, foreign languages. The European Union also advises the Member States to encourage the study of science, technology, engineering, and mathematics, as these will be just some of the profiles that will be in high demand in the labor market in the future.

During the past five years, vocational schools and vocational education regained reputation, and in 2015, more and more students opt for such schools to the detriment of universities. This is because Romanians are beginning to change their mentality; where until recently all students must have had higher education, aspire to a social position as highest as possible and retire exactly from the same place where they committed first, now things took another turn, i.e. it is not a shame to be a good worker, baker or cook, than to have many diplomas and be unemployed; moreover, the labor book has disappeared and now, there are only fixed or indefinite period contracts signed between the employers and the employees. Of course, a factor impacting the temporary employment market was the crisis, because many people have chosen to work temporarily, according to the employer's projects.

Research shows most temporarily employed people have secondary education – 46% – and higher education – 23%. Another survey shows that 20% of them are students, and 12% are unskilled workers. The study shows that people who choose temporary employment contracts do it either to gain experience or because they cannot find work at the moment and prefer to work temporarily until will find a steady job. The most sought temporary jobs are in services, construction and agriculture.

Proposals for combating unemployment in Romania:

- The State should support employers to implement multiple voluntary programs for students who wish to acquire knowledge, skills and gain experience that will help them to quickly find a job after graduation.
- The State should pay bonuses or tax cuts to all companies that hire inexperienced young people.
- Organizing assistance programs addressed to finding a job, mentoring, career guidance. Fostering entrepreneurship programs at school, followed by high school and college.
- Supporting exchanges between students of our country and students of the EU.
- Continued staff training programs and accumulating as many qualifications as possible.
- Integration and implementation of a compulsory ICT.
- Every citizen must know the functions of a computer. Professional orientation courses developed according to market trends.
- Establishment of associations at community level for the care of sick people or babysitting, where unemployed people can adjust their skills according to market requirements.
- Organization of frequent job fairs where people can search and find the desired job according to market requirements.

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