

COMPARATIVE ANALYSIS AND DISPARITIES BETWEEN
REGIONS REGARDING ROMANIA'S LABOR MARKET

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Abstract

Nowadays, Romania is confronting a population both declining and ageing population, phenomenon common to the majority of the EU Member States. This points to a likely future reduction of pupils and students in the education system and to a growing demand for health and social services. The ageing process will have negative consequences on the entire economy if accompanied by an increase of inactive persons that will represent a burden for the social insurance system.

Key words: Migration, Labour force, Development region, Unemployment rate.

JEL Classification: R23, R38

According to the European Union, Romania has a common system of statistical classification of the territorial units. The eight Development Regions are:

Region 1: North-East including 6 counties: Bacau, Botosani, Iasi, Neamt, Suceava, Vaslui

Region 2: South-East including 6 counties: Braila, Buzau, Constanta, Galati, Tulcea, Vrancea

Region 3: South including 7 counties: Arges, Calarasi, Dambovita, Giurgiu, Ialomita, Prahova, Teleorman

Region 4: South-West including 5 counties: Dolj, Gorj, Mahedinti, Olt, Valcea

Region 5: West including 4 counties: Arad, Caras-Severin, Hunedoara, Timis

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Region 6: North–West including 6 counties: Bihor, Bistrita-Nasaud, Cluj, Maramures, Satu Mare, Salaj

Region 7: Centre including 6 counties: Alba, Brasov, Covasna, Harghita, Mures, Sibiu

Region 8: Bucharest - Ilfov including: Country Capital - Bucharest and Ilfov County

Romanian Development Regions are statistical units made up of 4 - 7 counties, with the exception of Bucharest - Ilfov Region, created relying on association agreements among County Councils. They correspond to NUTS II level according to the EUROSTAT classification and therefore represent the framework for collecting specific statistical data at the regional NUTS II territorial level.

Population

Romania is confronting with both declining and ageing population, a phenomenon common to the majority of the EU Member States. Since 1990, the share of population under 14 years has been declining, while there is a simultaneous increase in the share of the population aged 65 and over. In particular, in 2002 for the first time the share of elder population (over 60 years) reached the same level as that of the younger population (0-14 years), at around 18% of the total. The number of births has been constantly decreasing, and this is already visible in the decreasing number of population in their 15 to19 years category.

South and south-west Regions show an accentuated ageing profile, concentration the highest share of population aged 65 and over, in total population ranged about 16.5% and 16.2% respectively in 2006 and bearing signs of a growing trend in this respect. On the contrary, the highest share of younger population is recorded in the North-East Region (18.3% in 2006, although rapidly declining from the 20.5% share recorded in 2002), whereas the lowest shares are to be found in the West Region (14.9% in 2006 vs. 17% in 2002), and Bucharest-Ilfov Region (11.7%). On the 1st of July 2006, there were 94.6 elderly people per 100 young people on the national level. South, South-West, West and Bucharest Ilfov Regions registered an even higher ratio than the national average and in the South and Bucharest-Ilfov Region the elderly have already outnumbered younger people.

The demographic dependency ratio stands at peak values in the North-Eastern Region (48.6%), due to the high prevalence of the people aged between 0 and 14 on the active population (27.2%). The elderly play the same role in the South and the South - Western Regions counting over

23 old people every 100 adults. Bucharest-Ilfov Region, though remarkable for its higher share of elderly population, does not suffer from a heavy dependency ratio on account of the very high number of adults in their working age (73.6% the highest in the country) and this is accounted for by the capital city being a powerful attraction pole for the people living in the different regions of the country and in search of employment opportunities.

The combination and mutually reinforcing effect on agriculture dependence and the high dependency ratio alongside the related consequences on social welfare systems (health care, social security, social insurance budget) is bound to have a strong negative impact on economic development and further contributes to the economic decoupling of certain areas of the Country, where the remaining economically active population will have even more incentives to migrate to larger urban areas.

Labour force

Regarding the labour force we can say that the dynamics of the labour market mirrors the economic restructuring process consequences, SMEs growth and FDI attraction in the different regions. As shown in table below, *employment rate* in Romania and its Regions maintained at a relatively constant level between 2002-2006 (58%), revealing a slightly decreasing trend, being low compared to the average employment rate of EU 27 (63.4% in 2006). This situation could be related to the decrease in the total number of available jobs, and to the “temporary” abroad migration phenomenon, concerning work.

By Regions, employment rates are higher than the national average in the less developed Regions: North-East, South and South-West, accounted for by high employment rates in agriculture. Bucharest-Ilfov Region also registers employment rates above the national average, but this is related to the much higher and diversified job offer.

Between 1990 and 2001 the total number of employees decreased from 7.5 million to 4.5 million, at the same time with the increasing number of unemployed people, due to the economic restructuring process, which led to the dismissal of a great number of labour force. The unemployment rate increased constantly in the 1991-1999 period (from 3% to 11.8%).

After 2000-2001 the Romanian economy experienced a recovery process, entering a phase of economic growth, although the number of employees remained stable (4.5 million in 2005).

The unemployment rate decreased to 5.9% in 2005. It is still worth mentioning that the number of unemployed people is higher as these figures only register the number of unemployed people. Although the

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surveys give a better image of the real number of unemployed people, still as a phenomenon, the unemployment rate is decreasing from one year to another, one of the major causes being the temporary migration for work abroad (about 2 million persons).

By sectors of economy, connected with Romania's economic evolution, the population employed in agriculture diminished in all regions, in the period 2001-2005. However, the decrease of population employed in agriculture is not the real one, as many people actually working in agriculture, as self-employed, are not registered as working in this sector. This is proved by the fact that the highest share of self-employed appears, in statistics, in rural areas, in all Regions of Romania.

The construction industry is one of the most active in the Country, being the only sector where employment has grown in real terms, in all Regions. Bucharest-Ilfov (60.7 thousand persons) and Centre Regions (11.5 thousand persons) are regions with the most dynamic evolution in this sector over the last five years.

In the same period (2002-2006), the service sector⁴ employment experienced the same trends as the constructions industry, the only region that registered a diminishing in the number of employees being the South Region.

In particular, Bucharest-Ilfov Region stands out in terms of increased employment in services, (175.2 thousand people) due to the rapid growth of the business sector, the relatively high education level, a factor well known to spur consumption of services, as well as a booming – mainly Bucharest - located telecommunications sector. Other Regions, North-West, Centre and West, experienced an increasing number of employees in sectors like trade, hotels and restaurants, real estate and other services, financial intermediation, etc).

At the same time with the growth of the private – business sector was the decrease of the employment share in the public sector in the total employment.

Regarding the labour force qualifications, there are obviously disparities between more developed regions and the less developed ones, the most rural Regions namely North-East, South-East, South and South-

⁴ Trade, hotels and restaurants, transport, storage and communications, financial intermediation, real estate and other services, public administration and defense, education, health and social assistance and other activities of the national economy.

West having registering higher ratio of employed population with primary education or without graduated school. Bucharest-Ilfov Region by far registers the best-qualified employment of all Romanian Regions.

Unemployment

After 1990, unemployment suddenly increased in all the Regions, and the highest rates were recorded in the most fragile regions lately industrialised during the '60s and the '70s: North-East and the South-East, while the lowest rates were traditionally recorded in Bucharest-Ilfov and Western region. In 2000, as a consequence of the industrial and mining sector restructuring, unemployment peaks were recorded also in the South-West, West and Centre Regions. The decrease in unemployment registered after 2000 can be explained as a combination of: discouraged workers retiring from the labour market, temporary migration abroad, a flourishing underground economy, all these factors discouraging registration at the workforce departments. In 2006, the highest unemployment rate was registered in the South-West (7.4%), South and Centre Regions (7.3% each), while the lowest rates were registered in the North-West and West Regions (4.2%, respectively 5.8%) and obviously in Bucharest-Ilfov Region which practically works at full employment and where unemployment is purely fractional (2.4%).

The unemployment rate differs within the borders of a Region, the Eastern counties registering on average higher unemployment rates than the Western counties (Annex 1, table 5). High unemployment rates between 8.3-10.1% are particularly registered in the Eastern part of the country (Vaslui and Galati counties), in the South – along the Danube, between 9-12%, (Calarasi, Ialomita and Teleorman counties), in the area comprising some counties in the South West, West and Centre Regions, between 7.9-9.5% (Gorj, Mehedinti, Caras-Severin, Hunedoara, Alba, Brasov, Covasna, Harghita). The main reasons for high unemployment rates have been either *industrial restructuring* (ore extraction–Alba, Hunedoara, Caras-Severin; coal extraction –Hunedoara and Caras-Severin; metal processing – Alba and Caras-Severin; siderurgy – Galati and Hunedoara) or the existence of a *traditionally underdeveloped* rural economy (Vaslui, Ialomita or Teleorman counties).

Romania's unemployment rate is lower as compared to other European states and this aspect is also due to the fact that over 2 million people have left the country to work abroad. On a long term, this migration will have an impact on various domains, the lack of qualified labor force will lead to major problems within the next few years.

Migration

Regarding internal migration prevailing trends appear to be fairly stable. Since 1995 the North-East Region has had a major loss of population and this pattern was also confirmed also in 2006.

Bucharest-Ilfov, West and the Centre Regions have been attracting population, due to the better living standards and opportunities offered.

Internal migrants usually are younger people from the working population moving towards urban areas, in search of better jobs and a more interesting and attractive lifestyle. This is particularly the case with the people aged 20 to 39. However, it is worth noting that there is a parallel phenomenon of migration towards rural areas concerning the population aged 40 and over and affecting the whole Country. In general terms, these are people dismissed from the restructured state-owned enterprises, which have not succeeded to re-qualify themselves, being forced to return to the rural areas and take up self-subsistence farming activities as a strategy for survival.

During the period 2000-2006 the internal migration was dominated by urban-rural flows (557,091 persons), followed by urban-urban (482,772 persons) and rural-urban flows (476,319 persons). People from urban areas are more dynamic as compared to the rural population: 1,039,863 persons moved from urban areas, either to rural or other urban areas, compared as to 855,966 persons that moved from the rural areas.

As a consequence of worsening the socio-economic situation in the urban areas and the migration of the urban population towards rural areas, the rural population in most regions registered a significant population growth in the past few years (see table below).

As far as official permanent migration abroad is concerned, after 1990, Romania has been characterised by the huge movements of the population towards different other destinations. In the first years after 1990, the majority of the German ethnic left Romania, tens of thousands leaving each of the following years. At a later stage, the number of these migrants fell below 1000 (in 2001), due, amongst others, to the limitation imposed by the countries of destination on the access on their territory of German ethnics of unclear and insufficiently documented ethnic status. On the other side, the definitive emigrations towards Canada and the USA have maintained on a constant level of 1500-3000 persons/year, while the permanent (which takes into account the official registration) and the temporary emigration for work purposes have reached a huge dimension.

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Immigration flows in Romania registered an upward tendency (1,602 persons in 1991 and 11,350 in 2001) followed by a drop in 2004 (2,987 persons), as a result of access restrictions, while in 2006 it increased up to 11,024. Immigrants are mostly expatriates for work purposes coming from various countries, especially migrants from the Republic of Moldavia (51.7% in 2006). USA, Germany and Italy are the main countries of origin of the immigrants in 2006. Between 1992 and 2002, Bucharest - Ilfov Region were the favourite destinations of these immigrants (41.03%), followed by the North - East, North - West and the Centre Regions⁵.

The official statistical data (on both emigration and immigration) do not provide a real picture of the Romanian migration as they don't include temporary migration, which is a very important phenomenon. Temporary migration cannot be registered, as people don't leave officially their residences. This not registered migration of the active population is a prevailing characteristic of demographic and economic phenomena not really rendered by studies based on official statistics. Informal data suggest that at least 2 million Romanians "temporarily" work abroad in Spain, Italy, Germany, Hungary, etc. The historical regions of Moldavia, Muntenia and Oltenia that overlap with the development regions in the North-East, South-East, South and South-West are those regions of intense temporary migration for work.

Conclusions

Internal migration and labour mobility increased continuously after 2000 until 2004. In 2006, Romania experienced a migration flow of 272,604 persons or 1.3% of the total population.

From the regional point of view, net migration sources are the Regions in the North-East, South-East, South, South-West and North-West, while Regions West, Centre and Bucharest-Ilfov region are net recipients for this flow. This is related to unofficial international migration patterns as far as the Regions that lose population are the same (North-East, South-East, South and South-West).

All Regions still record a net inflow of migrants to rural areas for subsistence farming purposes, a particularly worrying trend if we are to take into account the fact that Romania has already had a large share of its employment in agriculture and the productivity not reaching though the level of expectation.

⁵ "The migration phenomenon seen from the perspective of Romania's EU accession", European Institute of Romania.

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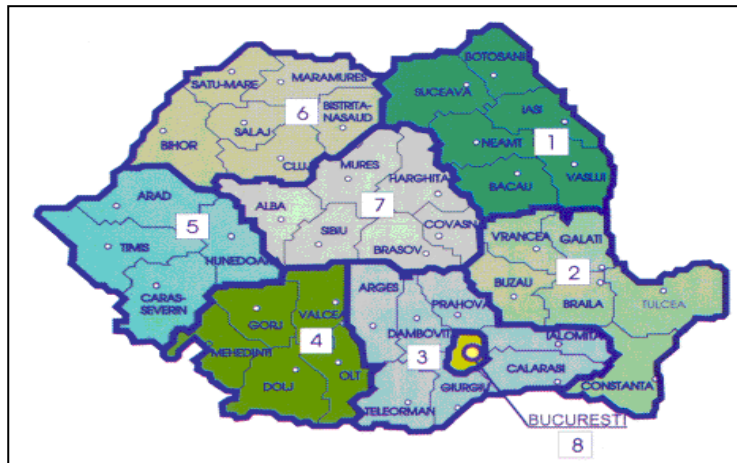
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Map 1

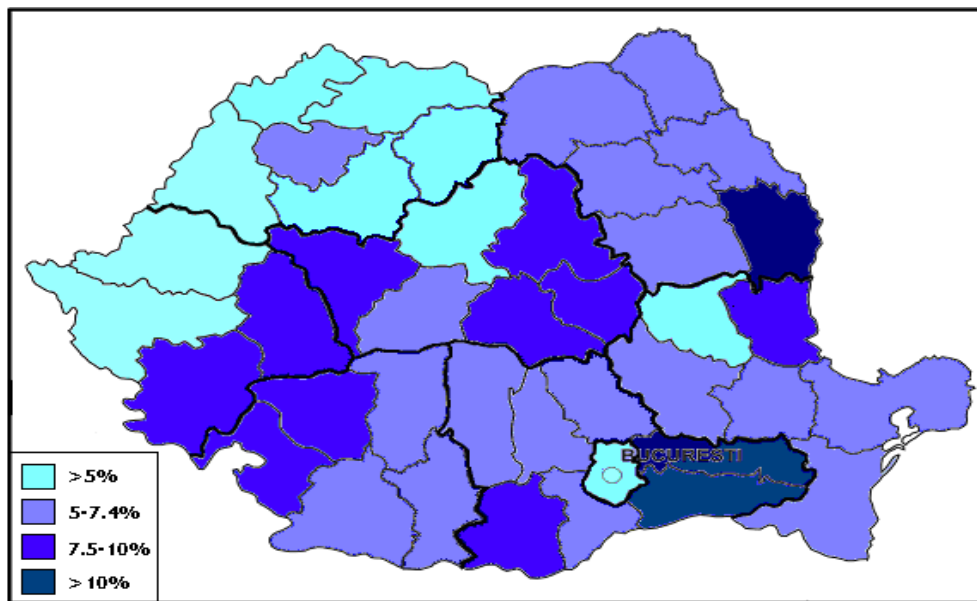
Romanian Development Regions



Source:
 Territorial
 Statistics, 2007

Map 2

Unemployment rate⁶ - intra-regional disparities (2006)



Source: Statistical Yearbook, 2007, NIS

⁶ Unemployed registered at National Agency for Employment

Table 1

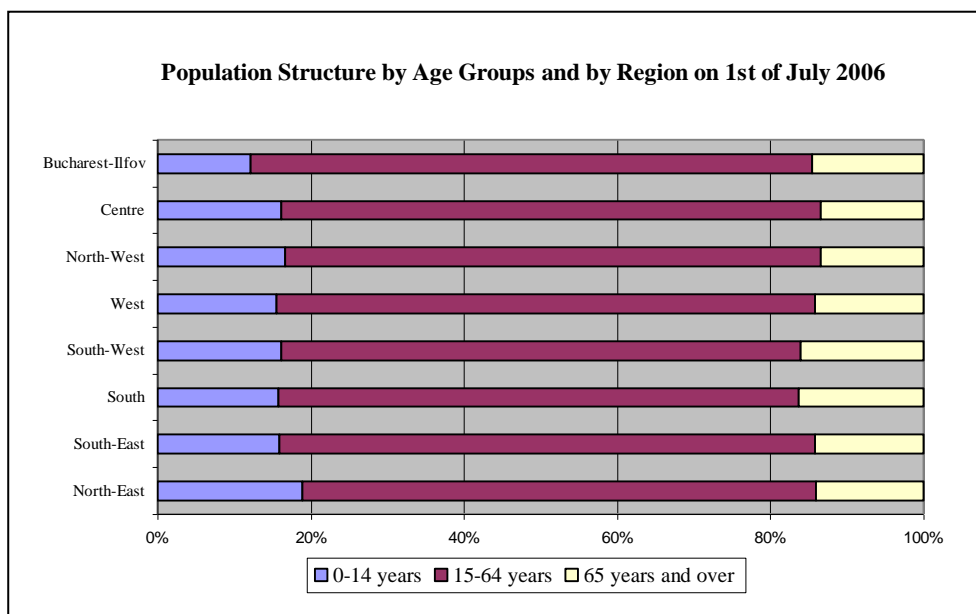
Dependency ratio, by Regions - 2006

Region	Young/Adults	Elderly/Adults	Dependency ratio
North-East	27.3	21.3	48.6
South-East	21.8	20.5	42.4
South	22.3	24.3	46.7
South-West	22.7	23.8	46.5
West	21.1	20.3	41.4
North-West	22.8	19.3	42.1
Center	22.2	19.4	41.6
Bucharest-Ilfov	15.9	19.9	35.8
Romania	22.4	21.2	43.6

%

Source: Romanian Statistical Yearbook 2007, NIS

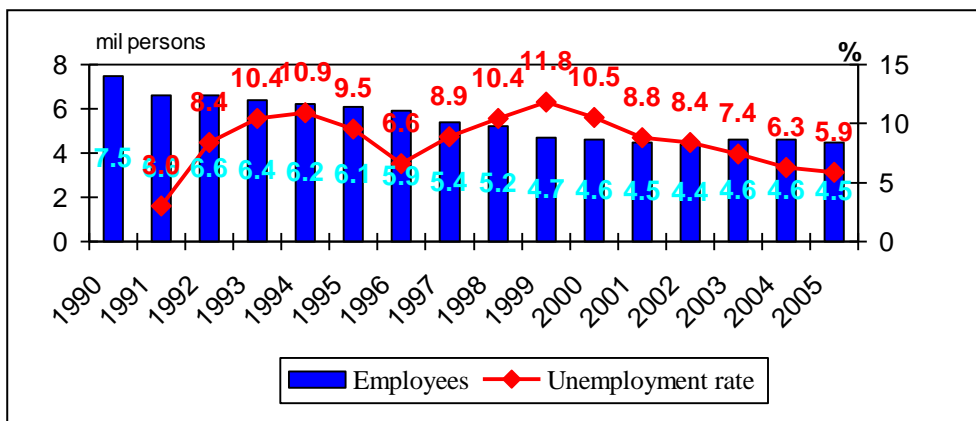
Chart 1



Source: Territorial Statistics, 2007

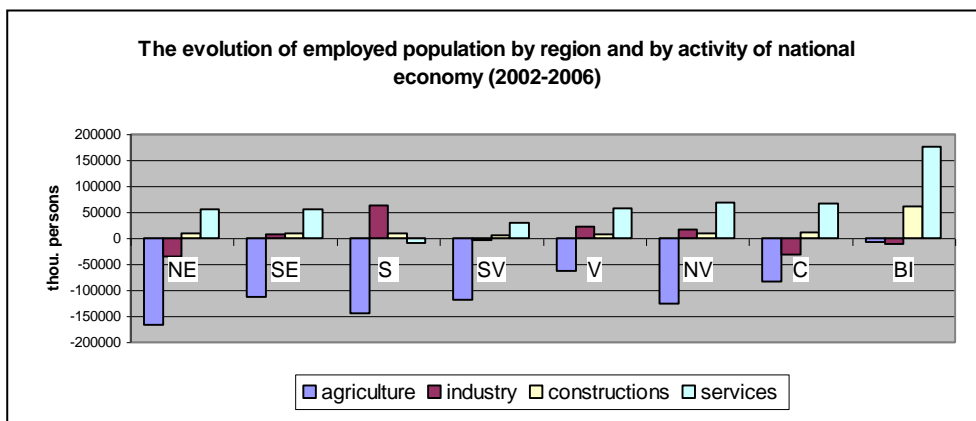
Chart 2

Number of employees and unemployment rate (1990-2005)



Source: National Institute for Statistics

Chart 3



Source: Territorial Statistics, 2007

Table 1

Dependency ratio, by Regions - 2006

Region	Young/Adults	Elderly/Adults	Dependency ratio
North-East	27.3	21.3	48.6
South-East	21.8	20.5	42.4
South	22.3	24.3	46.7
South-West	22.7	23.8	46.5
West	21.1	20.3	41.4
North-West	22.8	19.3	42.1
Center	22.2	19.4	41.6
Bucharest-Ilfov	15.9	19.9	35.8
Romania	22.4	21.2	43.6

%

Source: Romanian Statistical Yearbook 2007, NIS

Table 2

Employment rate in Romania

-%-

	2001	2002	2003	2004	2005	2006
Romania	63.6	62.9	58.0	57.8	57.9	57.7
Male	69.5	68.5	64.1	64.1	63.6	63.9
Female	57.8	57.3	52.0	51.5	52.1	51.5
North-East	67.1	66.4	60.1	59.9	62.4	61.5
Male	71.5	70.2	64.0	63.8	65.4	64.0
Female	62.6	62.5	56.1	56.0	59.3	59.0
South-East	60.8	59.9	55.3	55.8	54.7	54.7
Male	67.3	67.9	64.2	63.1	62.7	63.2
Female	54.3	52.0	46.5	48.5	46.7	46.2
South	64.7	64.0	58.2	58.1	58.1	58.1
Male	72.0	70.9	65.2	66.6	64.5	65.9
Female	57.4	57.2	51.3	49.6	51.6	50.2
South-West	69.1	69.5	61.8	62.0	59.9	60.1
Male	73.4	74.3	66.9	66.8	65.5	65.8
Female	64.9	64.8	56.6	57.0	54.2	54.3
West	62.2	61.2	57.6	57.1	56.9	56.6
Male	68.7	66.9	64.9	64.8	63.4	63.9
Female	55.9	55.7	50.5	49.7	50.5	49.5
North-West	63.4	64.0	57.8	57.2	56.1	56.0
Male	67.9	67.7	62.6	62.2	61.4	61.0
Female	59.0	60.3	53.1	52.2	50.9	51.1
Center	59.8	59.6	55.9	55.2	53.9	54.2
Male	66.3	65.1	61.4	62.1	60.2	61.7
Female	53.4	54.2	50.3	48.4	47.6	46.6
Bucharest-Ilfov	60.0	56.7	56.9	56.5	59.7	59.4
Male	67.2	63.5	63.6	63.5	65.8	65.9
Female	53.5	50.5	50.8	50.2	54.1	53.4

Source: Romanian Statistical Yearbook, INS, 2007

Table 3

Employment in Private and Public sector

Year	Public Sector	Private Sector
2000	26.4	67.1
2001	24.3	70.4
2002	24.8	69.9
2003	23.7	72.1
2004	23.2	73.8
1. Q1 2005	21.8	75.7

Source: NIS

Table 4

Employment structure by educational level and development region in 2006

-%-

Regions	Tertiary education	Speciality post high school or technical foreman education	High school	Vocational, complementary or apprenticeship	Secondary school	Primary or without graduated school
Romania	12.6	4.8	30.7	25.5	18.6	7.8
North-East	9.4	3.5	24.0	27.3	24.0	11.8
South East	10.4	4.6	29.6	27.1	19.3	9.0
South-Muntenia	8.9	4.4	31.5	25.5	19.8	9.9
South West	11.1	6.0	28.4	21.9	21.1	11.5
West	13.2	4.7	34.9	25.3	18.1	3.8
North West	10.7	4.9	32.1	26.4	20.3	5.6
Center	12.1	5.8	33.5	31.9	12.2	4.5
Bucharest-Ilfov	30.2	5.1	37.3	17.5	8.9	1.0

Source: Romanian Statistical Yearbook, NIS, 2007

Table 5

Migration flow by regions, in 2006

- Number -

Regions	Out-migrants	In-migrants	Balance	Share %
ROMANIA	272,604	272,604	-	-
1. North - East	47,150	43,430	-3,720	-54.9
2. South - East	35,248	34,408	-876	-12.9
3. South- Muntenia	40,517	39,333	-1,184	-17.5
4. South - West Oltenia	29,848	29,168	-680	-10.0
5. West	23,849	25,638	1,789	+26.4
6. North - West	28,742	28,426	-316	-4.7
7. Center	27,902	28,093	191	+2.8
8. Bucharest - Ilfov	39,312	44,108	4,796	+70.8

Source: Romanian Statistical Yearbook,

Table 6

Rural migration flow by regions, in 2006

-Number-

Regions	Out-migrants	In-migrants	Balance	Share %
ROMANIA	115,227	135,764	20,537	7.5
1. North-East	25,085	28,151	3,066	1.1
2. South-East	16,489	19,396	2,907	1.1
3. South-Muntenia	21,921	24,812	2,891	1.1
4. South-West Oltenia	16,216	16,656	440	0.2
5. West	8,521	12,788	4,267	1.6
6. North-West	14,194	15,828	1,634	0.6
7. Center	11,062	14,534	3,472	1.3
8. Bucharest-Ilfov	1,739	3,599	1,860	0.7

Source: Romanian Statistical Yearbook, 2007