

CHARACTERISTICS OF THE LABOR MARKET IN POST-COMMUNIST ROMANIA

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Abstract: *Labor market is the confrontation process of labor force demand, represented by public or private employers, with labor offer represented by the able-bodied population, available to perform paid activity. The most important factors influencing labor market are technological progress, labor productivity, emigration-immigration processes, the number of able-bodied population, age structure, duration of labor, the quality of human capital, production and capital, factors that act directly on the labor offer and demand. This paper aims at presenting the general features of labor market, focusing on the characteristics of the labor market in post-communist Romania. The phenomena and processes that occurred on the labor market in Romania were highlighted by the analysis of the evolution of indicators such as: civil employment status, professional status of employed population, registered unemployment rate, average number of pensioners and the evolution determined by a number of educational, economic, social, demographic factors.*

Keywords: labor market, labor offer, labor demand, civil economically active population, unemployment rate, professional status of the civil economically active population

Introduction

Labor market represents an interaction system of social actors playing different roles and having positions by means of which the preferences of the employer are met (of investing in people who have certain competences) and of the employee

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(to offer skills) in order to have mutual gain, and abiding the common shared rules resulted from the negotiation of interests (Nica, 2007, p. 153). It has a number of features: it is an imperfect, negotiated, administered, contractual market; the rights and obligations of the parties are set by individual and collective contracts, the wage funds depending on legislation and on the policy of each organization; it presents a high degree of heterogeneity of supply and demand for labor and a low mobility of labor force. Under normal conditions, labor market cannot exist without competition; it constitutes itself as a market product, as its essential feature, as a witness, but also as a motor of economic life, which sets in motion the entire system of links among economic agents (Adumitrăcesei & Niculescu, 1995, p. 137). Competition stimulates an increased level of education of labor force, in conjunction with the requirements of economic development, imposing economic agents to employ, through contest, only labor force with proper training; it determines the two participants in the labor market to adopt appropriate strategies for the rational and efficient use of labor resources, and largely determines the wage of labor force to be carried out in relation to the results of the undertaken work (Neamțu, 2003, pp. 606-607).

Theoretical aspects. Labor offer and labor demand

Labor offer and labor demand are confronted on the labor market.

Labor demand represents the need of employed labor, which is formed at a certain time in economy and is expressed through the number of jobs; it includes all relations, ratios regarding the amount and structure of employment, on professions and skill levels, for each component of the national economy, as well as a for its whole. Thus, the essential condition for labor work to be included in the category of labor demand is its remuneration or financial compensation; therefore, the demand for labor does not include activities performed by housewives, students, conscripts or by other non-salaried.

The factors that usually determine the modification of labor demand are (Oprescu, 2001, pp. 51-52):

- The demand for the made product. Any change in demand for the product (which will cause a change in its selling price) will generate (through changes in the productivity of marginal value) changes of the same sense in the demand for labor force;
- Productivity. Any change of marginal physical productivity will cause (through the productivity of marginal value) a change of the same sense, in the demand for labor force;
- The number of companies. It is obvious that a change in the number of companies, which use a certain kind of labor force will cause a shift of the same sense, in the demand for labor force;
- The price of other resources.

Labor offer represents the work, which can be performed by members of society in salaried conditions and is expressed by the number of the able-bodied ones, minus, as in the case of demand, the number of housewives, students, pupils and others, who perform unpaid work.

According to the American economists McConnell and Brue (apud. Preda, 2002), labor offer can be understood at the same time as:

- All able-bodied people who seek employment in return for payment;
- Number of hours they want to work or they actually work;
- The effort with which they work;
- Degree of qualification, which determines the quality of their work.

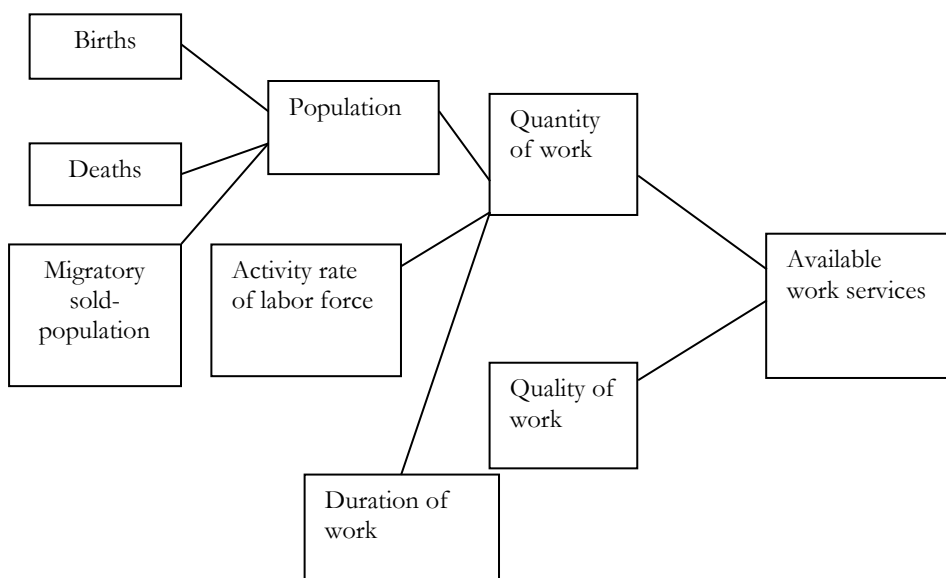


Figure 1. *Formation of labor force offer.*

Source: McConnel & Brue, apud. Preda, 2002, p. 60

Contemporary Labour Economics Labor offer is determined by several factors:

- total population size and its age structure; as it is emphasized in the reference literature, the primary role in determining labor offer belongs to demographic phenomena, fact which confers a certain independence of the offer and demand for labor force. (Preda, 2002, pp. 60-61);
- participation (activity) rate on age segments of the population;
- duration of work;
- qualification and skills of labor force

Particularities of demand and offer of labor force (Ghiță, 1992, p. 342):

- In short term, labor demand is practically invariable, as the development of existing activities and the initiation of new ones, which generate jobs, take time;
- employment offer, as a whole is formed over a long time, during which it grows and each generation is instructed until the age at which they can be employed;
- the owners of labor force have a relatively low mobility (people do not move from one locality to another and do not easily change their job, they are attached to the economic and social environment, even if they do not have economic benefits);
- young generations are not raised by parents as merchandise or merely to become employees, but as people, so that labor offer is not formed exclusively on principles of market economy;
- a job offer is perishable and has a relatively rigid character.

Main characteristics of the Romanian labor market

In Romania, the process of formation and functioning of the labor market in the period of transition was strongly influenced by the general state of economy, by the phenomena and processes in the labor market, but also by the degree and pace in which the legislative, institutional, educational and formative bases were built and consolidated. Thus, the main characteristics specific to the Romanian labor market can be synthesized as follows (Pârâianu, 2003, pp. 96-99):

- *a labor market in formation*, which involves regulation and deregulation, the change of human mentality and behaviors, but also the promotion of another system of stimuli, motivations and values.
- *a market with a limited area and with tendencies of compression*. During the transition to market economy there have been a series of mutations in employment and professional structures which are mostly a result of the transition to a different type of economy and of private initiative. Thus, the changes in occupational structures may represent either a result of the extension of free market relations or an expression of the fragility of employment, social protection of the configuration of an occupational structure that tends to differentiate itself from the model of developed countries. Another concern is related to the extent in which the labor force in the private sector is present and integrated in the organized labor market. When we take into consideration that a part of labor relations in the private sector comes out of the incidence of organized labor market, we refer to the following possible causes: lack of information concerning labor force in this sector; bureaucracy and insufficient legislative regulations in this area; a delayed foundation of surveillance and control institutions concerning the application of work legislation; a series of insufficiencies regarding solving work conflicts.
- *a tense labor market*. The labor market is in fact tenser than it is presented in official data, because of a global and micro-economic deficit of employment

capacity and defense of work income security. The tensions within the labor market concern all its structures and mechanisms, but they present differences among sectors of the market due to endogen and exogenous factors.

- *appreciable dimensions and extension tendencies of the parallel labor market*; these generate economic, financial and social blockages, but also an alteration of the social protection of employed and unemployed labor force.

In the reference literature, it is often discussed about the so-called myths of the labor market, which emerged out of the communist experience and generated prejudicial mentalities. According to the first one, the myth of work, most people believe that, if they work, they have to be paid for this. But, in a market economy, people get paid for useful activities, not only for performing some random activities. Another myth refers to getting rich on other people's account. According to this myth, most Romanian people believe that they become rich only by resorting to unfair means, such as fraud, conflict of interest, embezzlement etc. To these beliefs we can add the lack of confidence in personal effort. The third myth refers to the government, which is perceived as an institution that creates and protects jobs. This is probably caused by the fact that Romanian governments used large amounts of money in order to help huge industrial companies. But, in an appropriate economy, profitable sectors generate jobs, so the creation of jobs depends on economical development, not on what is given by the government (Patriciu & Rusu, 1998).

The analysis of the main indicators of the labor market in post-communist Romania

The phenomena and processes that occurred in the labor market in post-communist Romania can be highlighted by the analysis of the indicators below.

Thus, the civil economically active population decreased in the period 1990-1999, due to the deterioration of the economic and financial situation, from 10.840 million persons to 8.420 million people; in 2000 it increased slightly, reaching 8.629 million persons, after which it decreased in 2000-2004, reaching 8.238 million people. After 2004, this indicator registered an increasing trend, while in 2008-2011, period of economic crisis it decreased from 8.747 million persons to 8.365,5 million people.

The evolution of civil economically active population in Romania, in the period 1990-2011 is shown in the figure below:

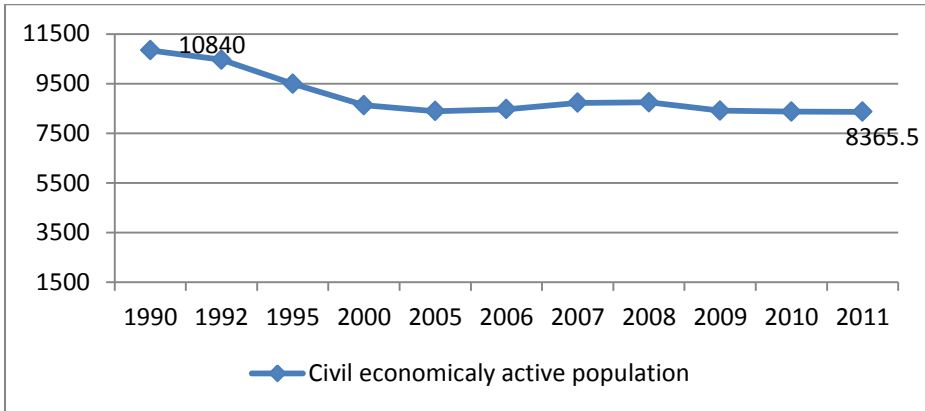


Figure 2. *The evolution of civil economically active population in Romania in the period 1990-2011*

Source: INS, Romanian Statistical Yearbook, 1995-2011

Analyzing the evolution of the professional status of the civil economically active population in Romania, during the period 1992-2011, we notice that the largest share is held by the category employees, whose number decreased in the analyzed period from 6,627,400 people to 4,660,500 people, followed by self-employed workers, contributing family workers and employers (see figure 3). It should be noted that the last category, the employers, recorded the sharpest decline in 2008 representing 40.8% of those existing in 2002, after the appearance of Law no. 31/1991 on limited liability companies (Chișea, 2010).

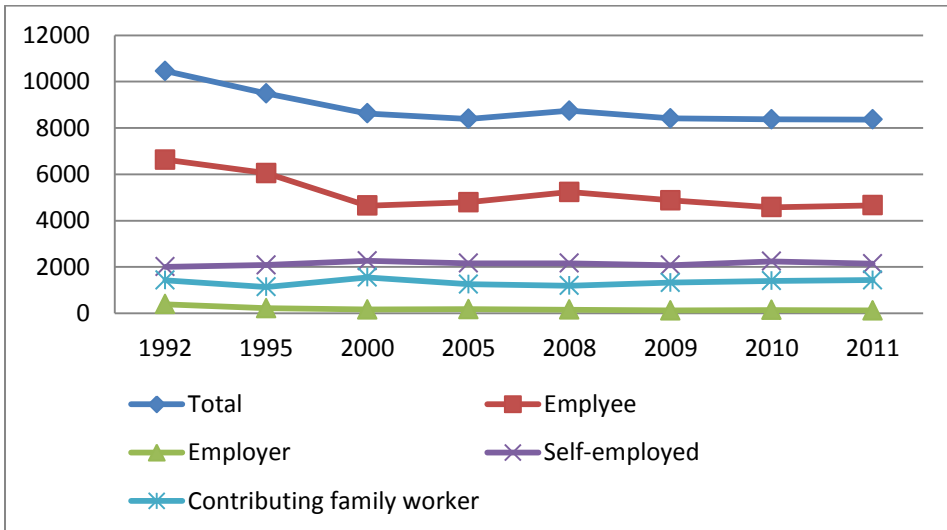


Figure 3. *The evolution of the professional status of the civil economically active population in Romania in the period 1992-2011*

Source: INS, Romanian Statistical Yearbook, 1995-2011

As a result of the changes that took place after 1990, in the process of transition from centralized economy to market economy, Romanian society has faced a series of economic and social problems, including unemployment.

Unemployment rate had a fluctuating trend, increasing from 3% in 1991 to 10.9% in 1994, followed by a period of decline (6.6% in 1996), rising again to 11.8% in 1999, and after this year it began to decrease, reaching 4.4% in 2008. In 2008-2010, as a consequence of the economic and financial crisis, the value of the analyzed indicator increased to 7%, and in 2011 it declined, reaching 5.2% (see figure 4).

The fastest increase of unemployment was registered in 1992. Some possible causes that led to this evolution are the following: the extension of the period of unemployment aid, from 6 months to 9 months, at the end of 1991; the introduction of support allowance, since August 1991; control policy, on the total salary fund; de facto freezing of production prices, in the period March-September 1992 (Oprescu, 2001, p. 148).

As far as the evolution of unemployment by gender is concerned, we notice that in the period 1991-1997, men were affected in a lower extent than women by unemployment, in 1998 the two rates registered equal values, then in the period 1999 -2011, the unemployment rate of the male population was higher than that encountered among female population, and this occurred because, on one hand, the number of the male active population is higher, and, on the other hand, in this period, the share of employment in services increased, and in this sector the share of women is higher than that of men. Also, we must take into consideration that, along with the collapse of heavy industry, which used predominantly male workforce, light industry developed which uses mainly female workforce.

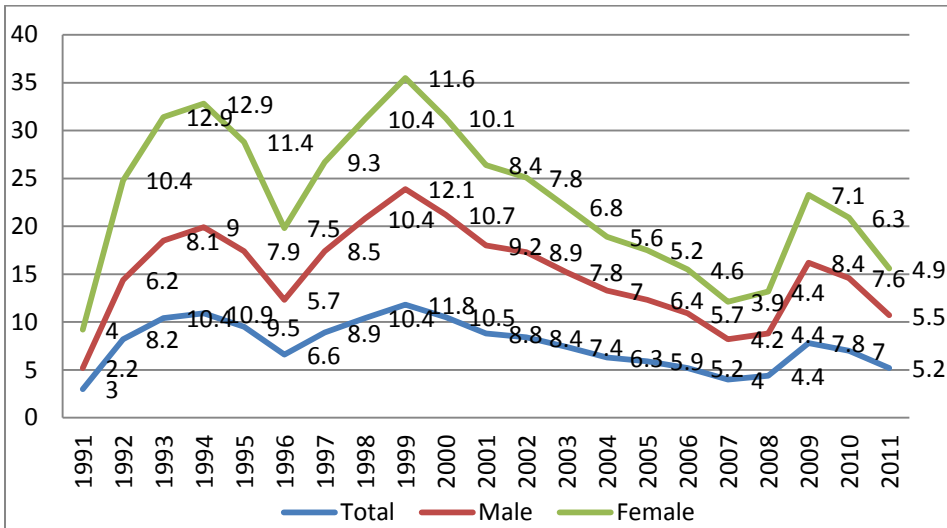


Figure 4. *The evolution of the unemployment rate by gender in Romania in the period 1991-2011*

Source: INS, Romanian Statistical Yearbook, 1995-2011

We must also mention that the average number of pensioners (of social insurance) increased during the period 1990-2002, from 3.577 million people to 6.342 million persons, then it decreased, reaching 5.589 million people in 2011. The increase of the number of pensioners in the period 1990-2002 was not solely the result of an aging population, but especially of early retirement, allowed by laws which aimed mainly at reducing the number of the unemployed as a result of the massive layoffs that have accompanied the privatization process of state enterprises.

Conclusions

Labor market is not a market on its own, being influenced by a number of economic, social, demographic, internal and external factors of economy.

In the process of transition from command, planned economy to market economy, the labor market in Romania has undergone profound transformations, facing a number of specific phenomena: the decrease in the number of employees, the increase in the number of pensioners, the emergence of new categories of employed population (employers, self-employed workers, contributing family workers), lower and degraded employment of labor force caused by unemployment, the emergence and expansion of atypical forms of labor force employment, the practice of unpaid leave, the structural rigidity of labor market, failure of institutional, legislative nature, which had strong socio-economic incidence.

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