

# Involvement of Romania's European Integration in the Field of Employment and Efficient Labour Use

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## *Abstract*

*The beginning of the article presents the general structure of Romania employed population while joining the European Union. It is proved in figures the extent to which the transition to market economy affected Romania's workforce, both on sexes and ages and also on socio-professional categories and activity fields.*

*The article's aim is to show us why the Romanian workforce migrates and which are the dimensions of this migration in the conditions of EU joining. At the same time, it shows us where Romanian migrate, the amount of persons that migrate and the price they pay for this. Finally, it is mentioned the way the workforce employment and usage will evolve during the post joining period, the positive and negative social implications of this complex process and also the forecast solutions for the emigrants coming back to Romania.*

**Keywords:** *workforce, workforce migration, the rate of unemployment, the minimum gross salary, the price of emigration*

**JEL classification:** F15, J21

## **Introduction - Preliminary considerations**

Romania's accession to European Union supposes, on one hand, to face successfully the hard competitive, but correct EU environment, and, on the other hand, to fructify the great opportunities provided by the unique market of goods and services, of capital and of labour force.

Since the accession (January 1, 2007), the main objective of this stage following Romania's integration in the European Union, which can be done drawing over and efficiently using the EU money, as well as with hard work, management talent and citizens skill, as already integrated countries did before us. At the accession moment, almost 2/3 of employment had the employee status, while 1/3 had self employed status, contributing family worker or employer. In

rural area, only a little over 1/3 of employment had employee status. Employment rates of work age population in Romania were substantially lower as compared to average ones at EU-15 level and respectively UE-25 and especially as against the targets proposed by the European Commission, within the European Employment Strategy.

### 1. Why Romanian labour force migrates?

Mankind has two fundamental rights: to be born and to eat. Human existence supposes to cover three vital needs: food, clothing and dwelling (sleep). These needs push them to find the best possible solutions to be met, when solutions are not found inside the country, he looks for them outside the country. It is natural to be so, because transition in Romania negatively affected first of all the labour force. Average number of employees had a downward trend since 1990. Thus, at the beginning of 2007 it was 4667 thou persons, by 3488 thou persons less than in 1990. The most dramatic fall of employees' number was registered in industry and construction, respectively 2.5 million persons during 1990-2006. Sector of services was stabilized relatively since 2000. Non-economically active population aged 15 years and over, was estimated at 8209 thou persons at the beginning of 2007, the highest weight being held by women (60%) and respectively persons in urban area (56.9%). At the same time, economic inactivity rate was 45% for total population, strongly differentiated by gender (I.N.S., social trends, 2007). Thus, at the beginning of 2007, unemployment rate was 5.2%, total number of unemployed reaching 460.495 persons, of which 166.833 were reimbursed unemployed, namely 36.2% and 293.662 non-reimbursed unemployed, namely 63.8%. It is interesting that in the last year, weight of unemployed increased among men, as result of lower activity in the fields where male labour force prevails (construction, agriculture). Significant growths of unemployment took place in the last time, especially in Vaslui, Botoşani and Constanţa, following returning to unemployment of some workers from seasonal activities. In 21 counties, of which especially in Iaşi, Argeş, Harghita and Cluj, there were registered some reductions of unemployment rate as a result of hiring some persons through temporary employment programs, therefore uncertain jobs. Some counties reached higher unemployment rates: Vaslui 11.2%, Mehedinţi 9.1%, Gorj and Ialomiţa 8.7%. In December 2008, unemployment rate reached 4.4% and number of registered unemployed was 403.441 persons, of which 187.229 women. Of total registered unemployed at national level in December 2008, 143.549 were reimbursed unemployed and 259.892 non-reimbursed unemployed. Unemployment rate among women was 4.4% and average number of unemployed was 362.429. Unemployment rate calculated for persons aged 15-74 years who had no job, but are available to work and looked for a job in the last month of 2008, was 5.8%, according to the National Institute of Statistics.

During 2000-2006, we notice a modest unemployment rate, not exceeding the EU 25 level, but also a low employment rate. This is because about 2.5 million

persons emigrated, most of population works in agriculture, representing a low latent unemployment, taking into account the rapid fall of average number of employees from 4.623.000 in 2000 to 4.591.000 in 2003.

Although GDP had an upward path and unemployment registers low quotas, Romania has the lowest degree of employment. Thus in EU 25 countries, GDP growth rate was 1.5% in 2005 and employment rate in total active population was 63.8%. In Romania, although GDP growth rate was 6.1% in 2005, employment rate was only 50.2%, this rate was 56.9% in Bulgaria and 64.8% in Czech Republic.

At the end of last year active population of Romania was 9.805 million persons, of which 568.000 were unemployed. Activity rate of population aged 15-64 years decreased to 62% at the beginning of 2009. Romania and Bulgaria are at high distance regarding retribution of labour force in comparison with other countries. In relative expression, gross minimum salary of Romanian represents 20.1% of Portuguese, 14.3% of Spanish, 34% of Czech and only 7.4% of French.

If monthly minimum salary in France was 1218 euro in 2006, in Portugal 437 euro, in Spain 631 euro, in Czech Republic 261 euro, in Hungary 247 euro, in Romania only 90 euro and in Bulgaria 82 euro.

If salaries do not rise according to the rights alignment to the products, services and utilities at EU level, purchasing power will fall and will deepen more and more the difference at level of income in comparison with EU income.

Under such conditions, hope to live better is done by temporary or definite emigration.

## **2. Where do migrate Romanians and with what price?**

According to the data of the World Bank, during 1989-1998 about 140.000 persons emigrated in Germany, 30.000 in Hungary and almost the same in USA, but Romania did not receive emigrants, but about 20.000 from the Republic of Moldova. In 2002, a fall of 6.2% was registered for Romanian emigrants as against 1991, by 12.2% of Hungarians and by 3.9% of Ukrainians, on the contrary, number of Gypsy emigrants increased by over 221% as compared to 1991. At the same time, in this period, 2.100 students left for studies abroad and about 15% of Romanian emigrants with higher education have jobs for which they are over-skilled.

Over 80% of Romanians who left for work abroad through the Office of Labour Force Migration (OLFM), in 2006, went to Germany, where they earned about 100 million euro, working mostly in agriculture for a monthly average salary of 800 euro, as well as in industry, health, tourism, housekeeping for a salary of 1.200 euro.

As well as in 2006, over 10 000 Romanians left for Spain through this Office, earning about 50 million euro, the highest salaries having those working in construction, transport and gastronomy. Most of Romanians from Spain (two

thirds) are between 26 and 45 years, and work in agriculture, with contracts from 670 to 1.200 euro.

Spanish minister for EU, Alberto Navarro, declared in 2008 that the access of Romanians to Spain labour market brings prosperity to the economy. Spain has at present about 5 million immigrants, of which about 800.000 are Romanians. Of those 5 millions, half are from the EU and half of Spain economic growth is determined by immigrants. Romanian immigrants are better integrated in Spain and Italy, due to Latin language, and because these countries were countries emigrants.

Those over 100 Romanian who officially left for France, in 2006, worked in agriculture, construction and transport, for salaries ranging from 800 to 1,200 euro, those 72 Romanian left for Switzerland worked in agriculture, gastronomy and sanitary field, for salaries from 1,970 to 3,100 euro, and those left for Qatar worked in services for 500 euro / month.

Of those 50.000 Romanians left to work in 2006 through the Office for Migration, over 70% are 25 - 45 years, most of them being left from Walachia, center of the country, Bucharest-Ilfov and South-East regions. In comparison with 2005, in 2006 left by over 15% Romanian citizens, who earned almost 25% more.

In 2006, Romanians left to work brought in the country over 3 billion euro, this amount having an essential contribution to cover the high deficit of current account, contributing, on one side, to heal the living standard of their families and, on the other side, to consolidate the mentalities from EU space, where any kind of work is not a shame and is normally rewarded, representing a first order value.

It should be remarked a trend to reduce the average income per person, sent to the country, proving the trend that some of those left for work in other countries, never coming back. On the other side, this migration also generated difficulties in some activity sectors, first of all in construction.

We should not neglect the negative consequences over the equilibrium and integrity of left people families, sometimes with remediless results, especially over children far away from their parents.

That is why, the Government of Romania adopted a normative document aiming at keeping the labour force in Romania and stimulating Romanian citizens to return home from abroad, in order to reintegrate their family, diminish the negative demographic effects and those over the children remained in the country together with their relatives. At the same time, a system will be regulated stimulating the return and professional reintegration of Romanian citizens in the country, benefiting of facilities to develop some business on their own, generating new jobs, including advice for access to European funds, assistance programs to adapt and reintegrate the families of Romanian emigrants when returning home, facilities to obtain professional certificates, as well as stimulation of highly skilled workers repatriation. Essential issue remains to find the funding sources for this project under the conditions of actual economic crisis.

### 3. How is employment and labour force use evaluated in the post accession stage?

Benefic participation in the free circulation of goods and services, capital and persons, depends on the competitive capacity of Romanian companies, their capacity to face the competition of European companies, meaning to have an **economy of functional market**. Analysis of data regarding competitive capacity points out the situation of hard time for much more Romanian companies, drawing over bankruptcy and growth of unemployment.

In Romania, the process of capital focus and centralization was underestimated or constituted a weaker concern, on the contrary, several privatizations were and are pointed out, some of them being inefficient and wasting material and financial resources, which are not justified but create bankruptcy conditions. The role of small and medium size units is stressed in the economy, having their importance in GDP producing and employment, but when customs protectionism is eliminated, some of them will not correspond to community exigencies regarding technical endowment, work and ecologic conditions, quality of products and services, becoming the first victims of bankruptcy. Labour market as any other market enters a new functioning environment and training approach, employment and retribution of labour force.

In the perspective of 2020, the situation will become gradually worse, if measures are not taken to counteract the higher and higher lack of staff, especially in construction, textiles, public catering, as it is mentioned in a study called „Labour market in Romania and immigration”, launched in November 2007 by the Soros Foundation Romania. The study points out two of socio-demographic solutions which could solve the issue of labour force lack: return of Romanian immigrations and immigration. Nevertheless, only 7% of companies are declared to be interested to bring labour force from abroad.

According to the community acquis, discussed and accepted by Romania, member states will continue to apply restrictive measures during two years period after the accession regarding the work right of the new member state citizens. This period can be prolonged with three years, in keeping with the preliminary evaluation and with two more years, in case of some serious orders on the new state labour market. Therefore, just in 2011 Romania will be sure that all the restrictions will be eliminated on the labour market.

Free circulation of labour force should be accompanied by a permanent concern to train the labour force for a level enhancing its possibilities of employment at a higher degree of qualification and with higher salaries. It requires a high volume of investments in education and research infrastructure and, generally, in human capital, qualification, requalification, allocation and professional orientation of labour force. On the contrary, the price of our EU integration will be too expensive for the future generations.

Nevertheless, we should be aware that the phenomenon of labour force emigration is not temporary and due to the great gap between national and

European salaries, usually young skilled people will emigrate, enhancing the labour force deficit in Romania. Focus in agriculture over 30% of employment, as against EU average 8%, will generate very complex issues on the labour market.

We do not think we could hope in an influx of skilled labour force from abroad, from civilized countries, at actual level of salaries in Romania. Certainly will come to Romania those people from poorer countries, unskilled or with medium qualification, accepting actual level of salaries and needing a period of adjustment, which negatively influence the economic results.

According to the report of the World Bank, over 60% of Romanians who work abroad left for shorter periods of time, about one fifth left for longer periods, but have plans to return, about 8% do not want to return anymore, while 5% did leave for ever. In 2004, Romania hold the penultimate place before Czech Republic, regarding the funds sent by emigrants in the country, while most of these funds are spent mostly for consumption.

In accordance with the stipulations of the National Institute of Forecast, employment in agriculture will reduce in 2009 to 26.3% of total employment, namely by 5.8% less than in 2005, on the contrary employment rate will reach 59%, while activity rate 63.3%. In 2005, activity rate was 62.4% and employment rate was 57.7%, while in EU 25, these rates were by 9.2% and respectively 7.7% lower.

A migration of redundancy urban population will be further registered to rural area, for a subsistence agriculture, being determined an employment rate higher in rural than in urban area. Some of active population will be reoriented to the sector of services in agriculture. On the other side, the consolidation of economic performances in the sector of production and services will provide conditions to draw over some of employed population in the subsistence agriculture to the sector of non-agricultural activities.

It is estimated that in the next 3-5 years, flows of foreign capital will reach about 8 billion USD yearly, as in 2006, increasing employment. Nevertheless, Romania is among the countries with the lowest level of investments per capita, 4,000 USD, even if per total they reached a record level in 2006. If we implement some complementary reforms and develop a more attractive environment, certainly foreign investments will continuously enhance.

At present, Romania has about 330.000 workers in the field of construction, but the need in the next years is about 500.000 workers, the difference of 170.000 is expected to be covered doubling average salary in this sector, from 250 euro in 2006, to 500 euro in 2009, namely at level of Poland and Hungary. Thus, Romanian workers are expected to be determined to return home. On the contrary, construction companies should appeal to workers from India, Pakistan or China, but it will not be easy to work with these persons. According to official statistics, number of immigrants from Romania exceeds 50.000 persons at present. A Romanian worker earns 45% of salary of an Italian or Portuguese worker and 20% of a German worker.

If in the last years, Romania was mostly an emigration country, with low rates of immigration, EU member status, as well as pressure of labour market will lead certainly to the higher number of foreign citizens wanting to settle temporarily in Romania. Experience of other European countries shows we shall become in the following years, in a first stage, both an emigration, and immigration country, then a destination country for the workers outside the community space. This happened in the past in other countries too such as Spain and Italy and happens now in the countries of 2004 integration wave (Czech Republic, Hungary, Slovakia etc.). The first labour source from outside would be Romanians from Republic of Moldova and Ukraine, the main argument being speaking the language as well as citizenship reasons.

According to the Convergence Program project, long term unemployment rate should fall from 4% in 2005 to 3.5% in 2009, and unemployment rate, calculated in accordance with the methodology of International Labour Office, from 7.2% in 2005 to 6.5% in 2009. At the same time, employment rate of elderly people should rise from 39.4% to 42.8%. For 2010, it is estimated a growth of 7% of participation rate in education and professional training for age group 25-64 years, namely a growth by 5.4% as against 2005. There are also stipulated IT programs in rural area schools and introduction of digital literacy since the first school years, as well as carry out an investment program to reduce the difference between urban and rural area schools in the field of using computers and internet. Thus, in the next three years, over 60.000 Romanian teachers will be trained within Intel Teach Program, to be able to develop a modern training process.

### **Concluding remarks**

Work will remain the “richness father”, as it was metaphorically called by W. Petty. Who wishes his country progress, should organize his own work resources, stimulate them under the conditions of economic freedom and assure their necessary public training. The countries which did so are found on the highest steps of material civilization, even if not all of them are endowed with primary natural resources. This already entered the mankind awareness that a country is more powerful not only owing to its natural richness, but also owing to the quality of its human resources.

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