

## **ASPECTS REGARDING THE PLACE AND ROLE OF THE EMPLOYEES ON THE LABOUR MARKET IN ROMANIA FOR THE LAST TWO DECADES**

Lect. Emilia Herman Ph.D  
"Petru Maior" University  
Faculty of Economics, Law and Administrative  
Sciences  
Tg. Mureş, Romania

**Abstract:** The employees represent a very important segment of the labor market and its dynamics depends on the development level of a country. In order to highlight the place and role of the employees on the Romanian labor market our paper starts with the analysis of the employment structure by professional status, in the last two decades (1990-2009), continues with highlighting the existing differences between Romania and the member states of the European Union and ends by analyzing the relationship between salary-earning work and the development level of a country. By means of this paper we want to draw the attention on the atypical character of the changes in the employment structure in Romania by professional status, manifested through the extremely high share of the self-employed as well as of the contributing family worker, to the detriment of the employees.

**JEL classification:** E24, J21

**Key words:** labor market, professional status, employees, self-employment, economic development

### **1. Introduction**

The assessment of the processes and tendencies that appear on the labor market can be achieved taking into consideration a series of structural elements such as: sectors and fields of activity; professional status; way of property; time worked, etc.

Professional status **in employment**- the situation of an employed person, depending on the way of achieving income from his activity [5], represents a criterion depending on which the performance of using labor resources and the level of security of the income earned by working are assessed. According to the national statistics there are the following categories of employed people by professional status: employee, employer, self-employed, contributing family worker, member of an agricultural holding or of a non-agricultural co-operative.

The dimensions of these categories can characterize the dynamics of the labor market as well as the dynamics of the socio-economic development at a regional and national level.

The employees constitute a very important segment of the labor market, a segment where the supply is really confronted with the demand for salary-earning jobs. The tendencies registered in this market segment, regarding the number and structure of employees, by sex distribution, residence environments or sectors and types of

economic activity, as well as by salaries are major guides which can explain some tendencies in other social spheres of interest, such as the evolution of the income levels and structures, the demand, the access to certain social services, etc, and finally they can explain the level of economic development of a country.

The employee status pertains to the big industrial and services productions, with special protection and rights, but having also obligations [3]. The other categories imply a high risk and insecurity level, being characteristic to the agricultural sector and the small entrepreneur. Therefore, any movement of employment from the agricultural sector to the one of industry and services entails an increase of the population with an employee status, with small risks and high social protection, but also with a corresponding decrease of the other categories.

## **2. Objectives and Methodology**

In order to highlight the place and role of the employees on the Romanian labor market we aim to analyze the structure of the employed population by professional status in the last two decades, to pinpoint the existing differences between Romania and the other EU member states as far as salary-earning work expansion is concerned. Furthermore, we want to highlight the necessity of increasing the share of employees out of the total employment in Romania, because from the income security and social protection point of view, the employee status on the labor market is by far superior compared to the other categories (self-employed, family worker, etc), and an expansion rate of salary-earning work is specific to a high level of economic development.

In order to reach the objectives set the methodology used was, mainly, the statistical one (*descriptive methods*) this being used for the statistical data processing and manufacturing, data offered by National Institute of Statistics and Eurostat on the structure of the employed population by professional status.

In order to study the intensity of the relationship between employment by status (expressed by indicators – the share of employees out of the employment total and the share of self-employed out of the total employment) and the economic development level (expressed by GDP per capita) for the member states of the European Union, in 2009, and for Romania between 1990 and 2009, we have applied *the correlation coefficient of Pearson*. In statistics, the value of the correlation coefficient varies between +1 and -1. When the value of the correlation coefficient lies around  $\pm 1$ , then it is said to be a perfect degree of association between the two variables. As the value goes towards 0, the relationship between the two variables will be weaker. The plus sign shows a direct relation (as the independent variable increases also the dependent variable increases) and the minus sign indicates an inverse relationship [2]. In order to highlight the causality connection between employees and self-employment, on the one hand, and economic development, on the other hand, we have used the *linear regression analysis*.

## **3. Analyses**

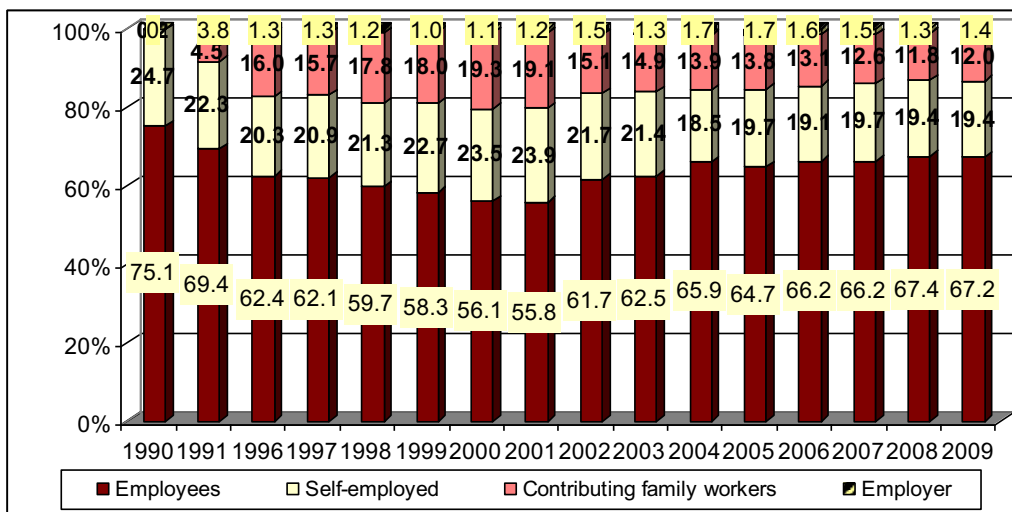
The changes emerged in **the structure of the employed population** according to professional status are significant for the period when, in Romania, profound politic, social and economic transformations happened.

Form the analysis of the data in figure no.1, it results that, for the period between 1990 and 2009, the following significant changes happened:

- The continuous decrease of the share of **employees** out of total employed population between 1990 and 2001 by 19.3 percentage points (p.p), at the

same time with the reduction of the number of employees from 8156 thousand people to 5825,5 thousand people, meaning by 28.4% [5]. In the period of economic growth 2002 – 2008 both the share of employees out of total employed population and the number of employees had an ascending trend, but the annual rhythm of growth was insufficient to recuperate the loss suffered in the first decade of transition. Based on the reduction of the industrial activities affected by the economic crisis, 2009 came for Romania with a new reduction at the level of the employees, thus only two thirds of the employed population were employees (67.2%), and a third was made up of those whose status was of self-employed, contributing family worker, employers. The reduction of the foreign markets because of the economic crisis in the main partner countries of Romania (Italy, France, Germany, etc.), the reduction of the loans given by commercial banks to economic agents, as a result of the prudent norms imposed by the National Bank, the diminution of the construction activity, which led to decreases of production in the related industrial activities and many other causes determined the reduction of industrial production and therefore also the reduction of the number of employees.

- The emergence on the labor market, after 1990, of some new socio-professional categories, such as: employer, self-employed, contributing family worker.
- The reduction of the share of **employers** out of the total employed population by 2.4 p.p., from 3.8% in 1991 to 1.4% in 2009. In the Report [4], it is shown that the entrepreneurship hope was tempered during the 20 years period. Approximately 1% of the population is defined nowadays as “employer”, but only few of them are “businessmen” with high incomes. Most of them have “self-earned” incomes, reduced and insecure, often joining the poor people category, as a result of the economic shocks.



Source: Own calculations based on data from ILO, Eurostat

**Figure no. 1. Employment structure, by professional status in Romania, between 1990 and 2009 (%)**

- The share of **self-employed**, including member of an agricultural holding or of a non-agricultural co-operative was maintained in the 18.68% - 24.7% value interval.

The data in annex no.1 show that Romania ranks as second when it comes to self-employed, after Greece, country where 21.5% of the employed population has this

status. Among the five countries we also find Portugal (17.4%), Italy (16.7%) and Poland (14.7%).

Self-employment is in the literature related also to the notion of entrepreneurship and in such cases it may be considered as a very positive and innovative type of economic activity [1]. But the self-employed status can be seen as the only solution for survival, as a consequence of the situation that no other form of employment is attainable. Many of those eliminated from the salary system or who did not have from the very beginning employment opportunities became “un-employed” people or employed at the limit of the formal labor market, exposed to fluctuating and small incomes [4].

In order to interpret positively the high value of self-employment, in Romania, we have to take into account if this type of employment is in the agricultural or non-agricultural sector. The economic theory and practice proves that the share of employment obviously depends strongly on the level of development of the economy, as it is much higher in the agricultural sector. The higher value in Romania, as compared to the EU countries, can be explained by the fact that the most own-account activities are in agriculture, this activity having a higher contribution to the GDP compared to other countries. We mention in this context the fact that Romania is the EU country which ranks first as far as agriculture is concerned, when it comes to the aspect of the employed population in this sector (27.8% in Romania as compared to the 5.6% EU average) as well as when it comes to the aspect of contribution to the GVA (7% in Romania compared to the 1.7% EU average).

In countries like Greece, Portugal, Italy where the self-employed has a high value, self-employment emerges first of all in the services domain, followed by industry and agriculture (the share in agriculture decreased once with the economy’s development). Studies show that the development level and the structure of the national economy represent explanatory forces, significant from a statistical point of view, for the level and structure of the self-employed in each country [7].

From the statistical analysis based on the data regarding the share of self-employment out of the employment total and GDP per capita at the level of the 27 member states of the European Union it is noticed that in 2009, between the two variables there is an inverse relationship, but of a low intensity. This situation is statistically highlighted by the reduced level of the correlation Pearson calculated coefficient (-0.257), fact which confirms the fact that in the countries where the GDP/capita is high, self-employment is lower.

- The share of the **contributing family workers** out of total employed population, increased from 0.2% to 19.3% in the first decade of transition to the market economy (1990-2000), only to have a descending evolution in the following period, reaching the value of 11.8%. The evolution of the contributing family workers number is worrying, which for two “restless” decades registered increases from 21.7 thousand people to 1109.22 thousand people.

Romania is the first country in EU when it comes to the share of contributing family workers (12%) being followed at a considerable distance by Greece (5.8%) and Poland (4%). Compared to the average value recorded at the EU level (1.6%), the contributing family worker in 2009 Romania has a share of 7.5 times higher (see annex no.1).

This explains to some extent why the poverty rate is higher than in the EU. The high share of unpaid workers and of those who are self-employed, to the detriment of

salary-earning work, determines in Romania the existence of the higher work poverty rate in EU, 17% respectively (compared to the 8% EU average), followed by Greece (14%), Poland and Portugal (both having 12%), according to the data offered by Eurostat. According to the study [6], in Romania, the poverty rate estimated for the self-employed is ten times higher than the one estimated for the salary-earning employees (40.8% compared to 3.9%). The self-employed represent more than a quarter of the poor population (29.6%), most of them being farmers (21.6%), category that is confronted with the highest poverty risk.

From the security and social protection point of view, considering that the share of employees out of the total employment number was diminished and that the share of unpaid workers increased, we can state that the labor market in Romania recorded a regress regarding the level and security of incomes earned by working.

#### **The analysis of the evolution of the employees in Romania by activity of national economy, between 1990 and 2008**

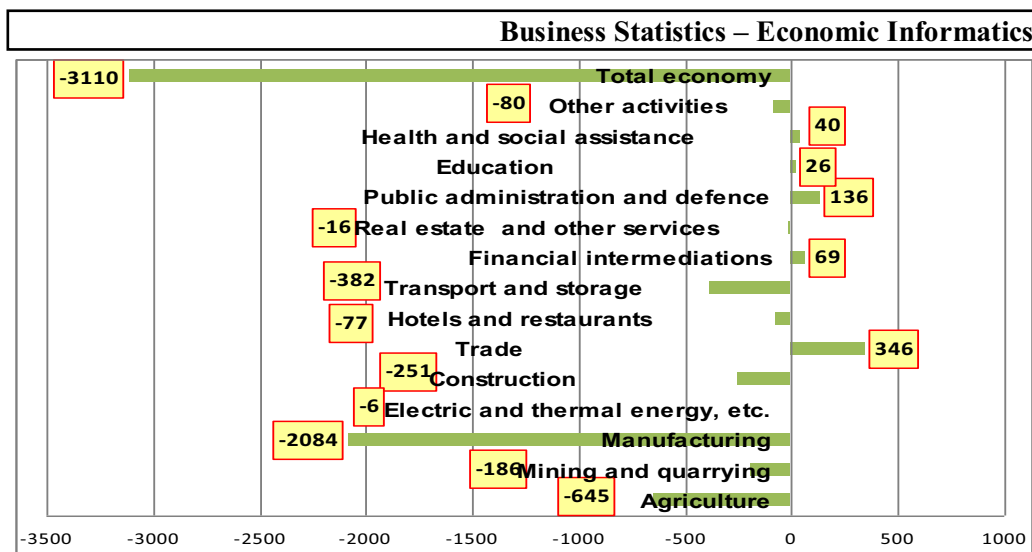
In Romania one of the biggest employment problems, and not only, is the reduction of the number of employees as well as their share in the employed population. Although in the developed countries, with a functional market economy, the tendency is one of expansion of the salary-earning work, in our country there is an atypical situation having extremely dangerous socio-economic effects. Between 1990 and 2008, the reduction of the number of employees at the level of the entire economy happened because of the changes in the total of employees, in the different fields of activity. Thus, from the analysis of the data in figure no. 2, it results that for the analyzed period, **in agriculture**, the number of employees diminished annually, having an annual average rhythm of -32.3 thousand people, reaching in 2008 the number of 117 thousand people, by 645 thousand people less than in 1990. Things went so far that in 2008, in agriculture, there were only 15.4% out of the number of employees existing in 1990. Far worse is the fact that only 4.8% of the employed population in agriculture is represented by employees, the rest entering the occupational categories, with small and insecure incomes, at the subsistence limit.

The cost of privatization of the big state-owned enterprises implied, among others, also the fact that a lot of employees were made redundant. Thus, the biggest employees reduction is recorded in **industry** (-2276 thousand people), where there was a decrease in 2008, as compared to 1990, by 59.2%. The manufacturing industry proves to be the greatest loser of salary-earning jobs, i.e. 2080 thousand jobs [5].

The changes that took place in employment in industry were caused by a multitude of factors that acted differently from one period to the other. The main diminishing factor of the number of employees was the drastic reduction of the industrial production as compared to 1989<sup>21</sup>, the profile and technique nature of production contributing to a certain extent to this. Therefore, in the economic activities based on highly labor intensive technologies, the reduction of the production volume had as a consequence the higher decrease of the staff number.

---

<sup>21</sup> Industrial production was reduced during the first years of transition having a very high annual rhythm, as follows: in 1990, as compared to 1989, it was reduced by 23.7%, in 1991, as compared to 1990, by 22.8%, and in 1992 by 21.9% as compared to the previous year.



Source: Own calculations based on data contained in the Statistical Yearbook of Romania, NIS, 2009

**Figure no.2 The evolution of the average number of employees by activity of national economy, between 1990-2008 (thousand people)**

Together with the industry, also the **construction** activity is confronted with a reduction of the number of employees between 1990 and 2008, by 35.7% respectively. It is worth highlighting that starting with 2002, in the context of the “estate boom” which appeared in Romania, this activity managed to create jobs, salary-earning ones, recording 130 thousand more employees in 2008 as compared to 2002.

As compared to the primary and secondary sector, the **services sector** records an employee increase by 62 thousand people. Although, broadly in the services sphere there is a positive balance of jobs, in 2008 as compared to 1990, there are certain activities in this sector where additional jobs occupied by employees are created (+617 thousands) and others where job losses are recorded (-555 thousands).

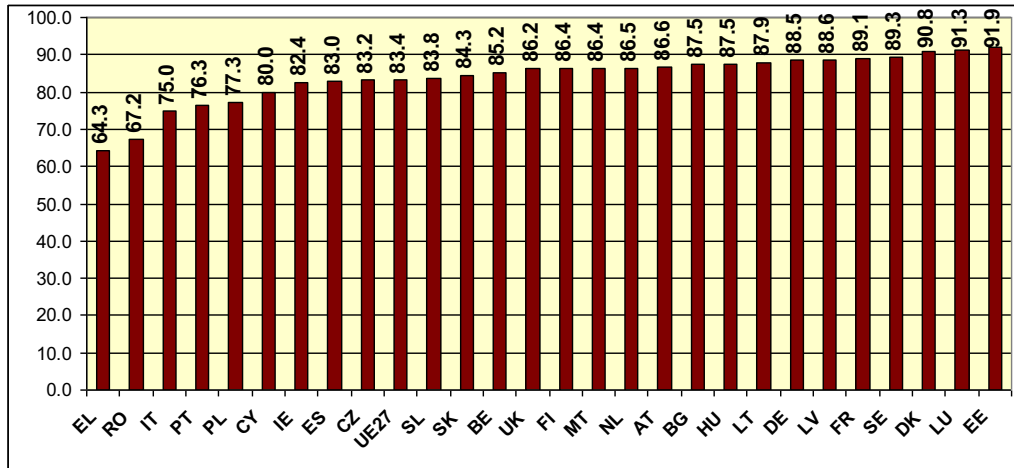
Therefore, the major decreases of employees in the primary and secondary sector were balanced off, only to a certain extent by the increases of employees in activities in the tertiary sector.

Thus, in 2008, as compared to 1990, the most salary-earning jobs emerged in the activities of: trade (+346 thousands, an increase of 68.1% respectively); public administration and defense (+136 thousands, an increase of 170% respectively), financial intermediations (+69 thousands, an increase of 181.6% respectively), etc. Significant employee reductions in the tertiary sector are to be found in the following activities: transport, storage and communications (-382 thousands, a decrease of 52.8 % respectively), hotels and restaurants (-77 thousands, a decrease of 39.5 % respectively), etc., according to figure no.2.

Against the background of losing an impressive number of salary-earning jobs and the decrease of the share of employees out of the employed population, in 2009, Romania ranks on the last but one place as far as salary-earning work is concerned, there being only 67.2% employees out of the total employed population, the rest of 32.8% being represented by the other occupational categories.

The comparative evaluation of the salary-earning work in Romania with that in the member states highlights a strong difference, from the developed countries as well as from the counties which stepped at the same time with Romania on the long path of

transition from the centralized economy to the market economy, according to the data in figure no.3. Thus, in Romania the share of employees out of the total employed population, in 2009, is by 16.4 (p.p.) lower than the average registered in the European Union (83.4%) and by 24.4% p.p. lower than the maximum value registered in a EU country (Luxemburg – 91.3%).



Source: Own calculations based on data from Eurostat

**Figure no.3. The share of employees out of total employment (%), in EU, 2009**

The only country in EU which records a smaller value than the one registered in Romania is Greece (64.3%). The reduced share of employees in Greece is explained by the existence of a higher share of employers (8.4%) as compared to Romania where the employers represent only 1.4% of the employed population. On the other hand, as compared to Romania, Greece has a more reduced share of family workers (5.8%), thing which positively affects the level and security of these people’s incomes.

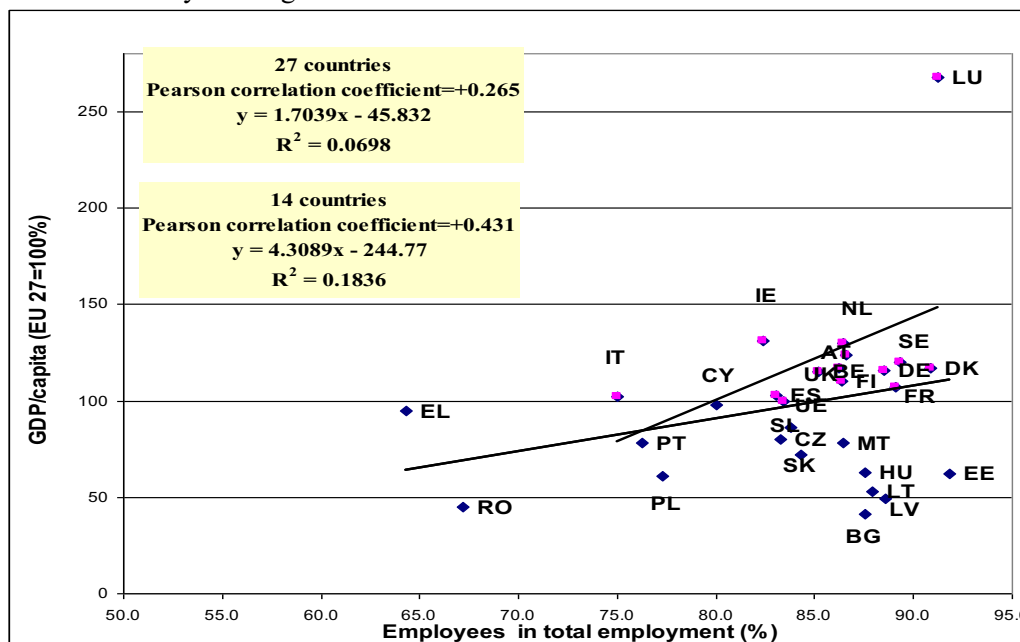
**The correlation between salary-earning work and economic development**

The analysis of the data in annex no.1 and figure no.4 highlights that in the countries where the GDP per capita is over the EU average there is a high or very high employment expansion rate. In these countries most of the employed population benefits at least theoretically of a status with lower risks and a higher social protection (these being possible if we also take into consideration the material support – a high GDP/capita level), as compared with the self-employed and family worker.

The economic theory states that between the GDP per capita and the employees’ contribution to the GDP’s formation (the share of employees out of the total employment) is set by a rule of direct relationship [3]. From the statistical analysis based on the data on GDP/capita and the share of employees out of the employed population in the member states of EU, in 2009, one can notice that between the two indicators there is a direct relationship, but very weak and statistically insignificant (the Pearson correlation coefficient calculated for 27 countries = +0.265).

However, if we analyze the relationship between the 14 EU countries that have a GDP/capita level over the EU-27 average (100%) then we notice a stronger direct relationship (Pearson correlation coefficient=+0,431), fact which highlights that in these developed countries a bigger part of the population has a job with a higher social protection. Moreover, the higher value of the coefficient of determination (R<sup>2</sup>)

calculated only for the 14 developed countries compared to the one calculated for the 27 countries ( $R^2_{14\text{countries}} > R^2_{27\text{countries}}$ ) reflects the existence of a stronger direct relationship between the countries with a higher development level and the expansion rate of the salary-earning work.



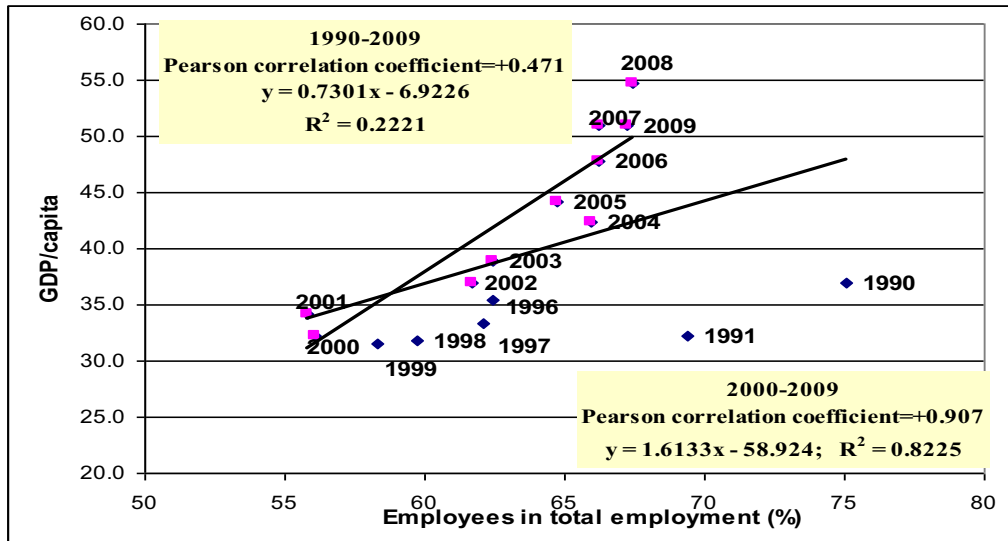
*Source: Own calculations based on data in Annex 1*

**Figure no. 4 Correlation between the share of employees out of total employment and GDP/capita, in UE 2009**

In Romania, between 1990 and 2009, between the share of employees out of the employment total and GDP per capita, there is a direct correlation, of medium intensity, confirming, also at the level of our country, the direct relationship between the level of development and the level of salary-earning work (Person correlation calculated coefficient = +0,471).

It is worth mentioning that in the last decade (2000-2009), when both the real GDP/capita and the expansion rate of the salary-earning work increased considerably (by approximately 60% GDP/capita and the shares of employees by 11 p.p.), one can identify much stronger relationship between the two economic variables (Person correlation calculated coefficient = +0,907), according to the data in figure 1. Also in the last decade one can notice that the level of economic development, meaning GDP/capita, was influenced by the expansion rate of salary-earning work in a proportion of 82.25%, fact highlighted by the high value of the coefficient of determination ( $R^2=82,25\%$ , which means that 82,25% of the total variation in y can be explained by the linear relationship between x, see figure no.5).





Source: Own calculations based on data in Annex 1 and figure no.1

Figure no. 5 Correlation between the share of employees and total employment and GDP/capita, in Romania, 1990-2009

#### 4. Conclusions

As far as the structure of the employed population by professional status is concerned, Romania registers a particular situation among the EU member states, with an extremely powerful economic and social impact, characterized by numerous asymmetries, first of all due to the extremely high share of self-employed as well as contributing family worker and implicitly to the reduced share of employees.

From the economic-statistical analysis carried out based on the real data registered in Romania, concerning the correlation between salary-earning work and economic development, it is noticed that the economic theory is confirmed, according to which the development level and the structure of the national economy represent explanatory forces for the level and structure of salary-earning work, there being a direct relationship between GDP per capita and the share of employees out of the total employment.

We consider that the consequences of the decrease in the number of employees and the increase of the other category of employed people in Romania are to be found on the level, structure and security of the income, on the capacity of saving, investing respectively, on the system of social insurance and education, on forming budgetary incomes, in other words on economic development.

#### REFERENCES

1. Acs, Z. et all Growth and Entrepreneurship: An Empirical Assesment. Group Entrepreneurship, Growth and Public Policy, MPI Jena, 2005
2. Jaba, E., Analiza statistică cu SPSS sub Windows, Ed. Polirom, 2004  
Grama, A.
3. Răboacă, Ghe Procese și tendințe în sfera ocupării și șomajului. Studii și cercetări economice, 10-11-12, 2000
4. Zamfir, C. et all. Raportul social al ICCV: Dupa 20 de ani: optiuni pentru România,

**Business Statistics – Economic Informatics**

- Academia Română, 2010
5. \* \* \* Romanian Statistical Yearbook, 1990-2008 time series, National Institute of Statistics, 2009.
6. \* \* \* Tendinte sociale, National Institute of Statistics, 2009
7. \* \* \* [http://www.hwf.at/downloads/open\\_area/pdf\\_reports/pdf\\_report\\_5/hwf\\_r05\\_02\\_part2.pdf](http://www.hwf.at/downloads/open_area/pdf_reports/pdf_report_5/hwf_r05_02_part2.pdf)
8. \* \* \* Eurostat, <http://appsso.eurostat.ec.europa.eu/>

**Annex no.1**

Countries	Employees	Employer	Self-employed	Family-worker	GDP/capita	GDP/capita (Romania) <sup>1</sup>
UE-27	83.4	4.5	10.4	1.6	<b>100</b>	37.0 (1990)
BE	85.2	4.5	9.1	1.3	115	32.23 (1991)
BG	87.5	3.5	8.0	1.0	41	35.41(1996)
CZ	83.2	3.7	12.4	0.6	80	33.34 (1997)
DK	90.8	3.8	4.9	0.4	117	31.83 (1998)
DE	88.5	4.8	6.1	0.6	116	31.52 (1999)
EE	91.9	3.7	4.2	0.2	62	32.24 (2000)
IE	82.4	5.6	11.2	0.8	131	34.14 (2001)
EL	64.3	8.4	21.5	5.8	95	36.88 (2002)
ES	83.0	5.7	10.3	0.9	103	38.93 (2003)
FR	89.1	4.4	5.9	0.6	107	42.35 (2004)
IT	75.0	6.7	16.7	1.6	102	44.21 (2005)
CY	80.0	5.3	12.4	2.3	98	47.78 (2006)
LV	88.6	3.7	6.2	1.4	49	50.90 (2007)
LT	87.9	2.5	7.9	1.7	53	54.73(2008)
LU	91.3	2.8	5.2	0.6	268	51.0 (2009)
HU	87.5	5.3	6.7	0.4	63	
MT	86.4	4.3	9.2	0.1	78	
NL	86.5	3.8	9.3	0.5	130	
AT	86.6	4.7	6.5	2.2	124	
PL	77.3	4.1	14.7	4.0	61	
PT	76.3	5.4	17.4	0.9	78	
RO	67.2	1.4	19.4	12.0	45	
SL	83.8	3.4	7.4	5.5	86	
SK	84.3	3.4	12.1	0.1	72	

**Revista Tinerilor Economişti (The Young Economists Journal)**

FI	86.4	4.1	9.0	0.5	110
SE	89.3	3.8	6.7	0.2	120
UK	86.2	2.8	10.5	0.3	117

Source: Own calculations based on data from Eurostat; <sup>1</sup> expressed in thousands lei constant prices (1990)/capita, calculated based on data from the Romanian Statistical Yearbook, 1990-2008 time series, National Institute of Statistics, 2009