

Regional Labor Market Issues in Romania – Symmetry and Inflection Points Based Socio-Economic Factors

Bogdan-Cristian CHIRIPUCI¹

Marius CONSTANTIN²

Elena Mădălina DEACONU³

Albert SCRIECIU⁴

Abstract

The Romanian labor market shows the signs of many regional issues, especially those that involve economic factors. Disparities generate forms of interregional symmetry, approached through the lens of poor socio-economic performance. The Romanian economy has rapidly adapted to the open European labor market, which, on the one hand, has brought many benefits to the Romanian employees who migrated to other European countries, while, on the other hand, this process has caused serious deficits of the labor force in some Romanian economic sectors of activity. In this regard, this study brings its contribution to the literature with a statistical analysis conducted on the symmetry and inflections points in the case of three Romanian development regions: South-East region, South-West Oltenia and North-West region. Results show that these regions face similar labor market issues up to a certain degree – the identified inflection point deals with two economic sectors that had to suffer the most: the public administration and the defense sectors.

Keywords: labor market, vacancy, unemployment, development regions

JEL classification: O15, P25, R11

DOI: 10.24818/RMCI.2021.2.170

1. Introduction

The European Regional Development Policy is one of the most challenging policies implemented by the EU-27. The policy's goal is to reduce interregional economic and social inequalities on both the European and national scales. Among others, the Romanian labor market issues are closely linked to the national implementation perspectives of regional development policy (Constantin et al., 2020).

¹ Bogdan-Cristian Chiripuci, Bucharest University of Economic Studies, Romania, bogdan.chiripuci@gmail.com

² Marius Constantin, Bucharest University of Economic Studies, Romania, marius.constantin@eam.ase.ro

³ Elena Mădălina Deaconu, Bucharest University of Economic Studies, Romania, deaconuelena17@stud.ase.ro

⁴ Albert Scrieciu, National Institute of Marine Geology and Geoecology (GeoEcoMar), Bucharest, Romania; albert.scrieciu@geoecomar.ro.

One of the main problems of the Romanian labor market comes from the the migration of population to countries that are capable to provide better working conditions and higher salaries than in Romania (Chiripuci et al., 2020). Moreover, as far as education is concerned, Romania did not foster its full potential, as a result of its inability to train and integrate students for the requests of the labor market. The focus of the educational system goes into training students in sectors as management, civil service, or legal professionals. As a consequence of the higher interest in training students for office-orientated jobs, the phenomenon of work segregation expands on the national labor market. In order to help begin the process of stabilizing the national economy, the educational system needs to provide well trained workforce in the sectors that are the most economically performant and digitized (Popescu et al., 2020). One of the most serious issues, which contributed to the current situation is that Romania's university curriculum has not been revised in more than 50 years. Thus, according to the Digital Agenda for Europe report, the active population is voluntarily learning online out of will or need. Although, the European Union encourage the member states through policies and funding mechanisms to speed the process of digitalization in their national economies, as a measure for reducing the interregional inequalities (Pătărlăgeanu, Constantin and Dinu, 2020), Romania has far long to go in the process of digitalization its economy. This is only one of the root causes of the regional market issues in Romania.

2. Literature review

Metropolitan governance, both in academic literature and in practice, gives the impression of an endless story. Governance of metropolitan regions continues to be of convincing interest to scientists and practitioners around the world. In recent decades, new elements have been debated, in particular the new regionalism and resizing. However, the problems related to the effective governance of what are generally known as urban regions remain largely unresolved (Fürst, 2004). By offering a new vision of Community-based regionalism, measures of "smart growth" and other attempts to connect cities and suburbs are starting to put their mark on the political and analytical scene. In contrast with rural areas (Dinu, Chiripuci and Constantin, 2019), metropolitan areas need to reduce poverty in order to increase socially, and people with low incomes need to make regional ties by increasing equity to escape poverty (Pastor, 2000).

It has been demonstrated that the intensity of work is no longer a sustainable indicator of labor productivity (Pătărlăgeanu et al., 2020). There are major changes in which economic and social processes intertwined and the areas adjacent to the big cities become strategic hubs, where public policy plays an important role in local development and process (Yigitcanlar et al., 2008). In practice, cities are considered as drivers of the economy (Ignat and Constantin, 2020), but also as places of social exclusion, where urban decision-makers face problems of prosperity, while addressing a potential increase in social inequality.

Revenue growth and spatial expansion in urban regions highlight the growing labor market discrepancies (Popescu, Constantin, Chiripuci, 2020), which is on an upward trend (Bramwell, 2012).

In a period of increasing demand for skilled workers and high unemployment, a strong link at local level between the workforce and development efforts is economic development. While employers are struggling to fill some jobs with skilled workers, millions of US unemployed are struggling to support themselves and their families. So in today's economy, not only jobs need to be created, but efforts must be made to ensure that workers have the education and skills needed to compete for jobs. This would result in more efficient workers to make US businesses more competitive (Conway, 2011).

In the absence of consistent national and provincial labor market policies, sensitive to local needs, however, municipal governments do not have the resources and the ability of the policy to develop the workforce through self-development programs and networks of public and private labor market partners (Bramwell, 2012). In the same way the social role of cooperatives is also ensured by expressing common objectives through cooperative unions, increasing participation in value chains and protecting producers from unfair prices. However, the functioning and development of cooperatives and their support institutions is restricted by frequent reforms, a lack of qualified human resources and limited awareness of cooperative approaches to development (Emana, 2009). At the same time, regional structures and policies for housing have only had a marginal impact on other sectors, and this appears to be partly due to the fragmented nature of the housing sector, in particular the limited involvement of the private sector in regional housing structures. fragmentation and lack of coordination also seem to be characteristic of the regional level in England, and this acts as a general barrier to integration, along with the lack of a mechanism to address conflicting priorities, pointing to an urgent need for regional assemblies proposed directly by the government (Slocombe, 2003).

In terms of long-term employment initiatives, wage advancement and career advancement for low-income job seekers are critical contemporary issues (Clarke, 2004). In this regard, sustainable development is not just a policy challenge; it is also a challenge for employers, as the complexities of the transformation necessitate the adoption of a number of new procedures. Additionally, by combining the work of nine eminent European and North American scientists, it was discovered that governance arrangements in high-consumption societies have been adapted to promote sustainable development (Lafferty, 2006). As a result, employers must constantly adapt to changing market requirements at both the market and organizational level.

While the importance of financial intermediation is increasing, insurance companies have received less attention than banks and stock markets, serving primarily as a provider of risk transfer in single or highly heterogeneous countries. A panel analysis of several countries from 1992 to 2005 was conducted to examine the impact of insurance investment and premiums on GDP growth in Europe. Life

insurance has been shown to have a positive effect on GDP growth in the EU-15, Switzerland, Norway, and Iceland. We observe a greater impact of liability insurance on the new EU Member States in Central and Eastern Europe. Additionally, the conclusions emphasize the effect of the real interest rate and economic development level on the insurance-growth nexus. Taking all of this into account, academic literature indicates that financial sector and macroeconomic policy support determine workforce safety. (Haiss and Sümeği, 2008).

At the same time, firms' returns on investment are derived from the captivity of markets that extend far beyond national or regional borders. Historically, these returns have been generated by exports, but the role of international investment has grown significantly. International flows of productive capital, technology, and knowledge are increasingly understood to be two-way or multi-directional, with terms like "openness" and "connectivity" replacing terms like "inward" and "outward" or "home" and "host." (Iammarino et al., 2017). Also, the same factors, which increased productivity, transposed the economy to another level of sustainable development. In this respect, it has proved harder for employers and employees to manage the business, acquire the necessary skills and exploit opportunities that drive success and innovation (Rodrik, 2014).

3. Analysis results

The analysis was conducted on the three key regions of Romania – South-East, South-West Oltenia and North-West. In order to validate the hypotheses of the present case study – the regions share symmetrical issues of the labor market; the three key regions were selected based on their main differences: located in different areas of the country, with particular relief and social characteristics, thus sharing the approximate same values on density of the population. This highlights that, although each regions have their own characteristics, the economic and social dimension of the regional labor market issues can be symmetrical based on the distribution of vacancies.

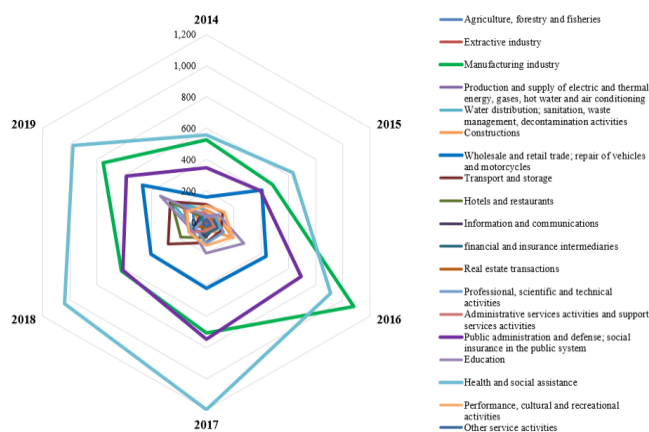


Figure 1. Distribution of vacancies in the South-East region

Source: Author's processing, based on the National Institute of Statistics in Romania data

Approaching the matter of workforce distribution in relation with the dynamic character of the labor market, the number of vacancies in the South East Development Region, gives an objective perspective on the market issues. As Figure 1 shows, the highest level of labor shortages are in the following sectors: manufacturing, public administration and defense; public social security, but also health and social care, which has seen an increase by 75% of vacancies. The year 2016 showed the highest number of vacancies registered in the South East Development Region, over 1,000 well-trained workers were needed in the manufacturing industry at the time. For the manufacturing industry, the number of vacancies in 2019 are with 43.3% higher than in 2014, which highlights the dynamic character of the labor market. In addition, the manufacturing industry has the highest national labor shortages, with the South-East region reporting about 5% of the total Romanian labor needs in the analyzed period 2014-2019.

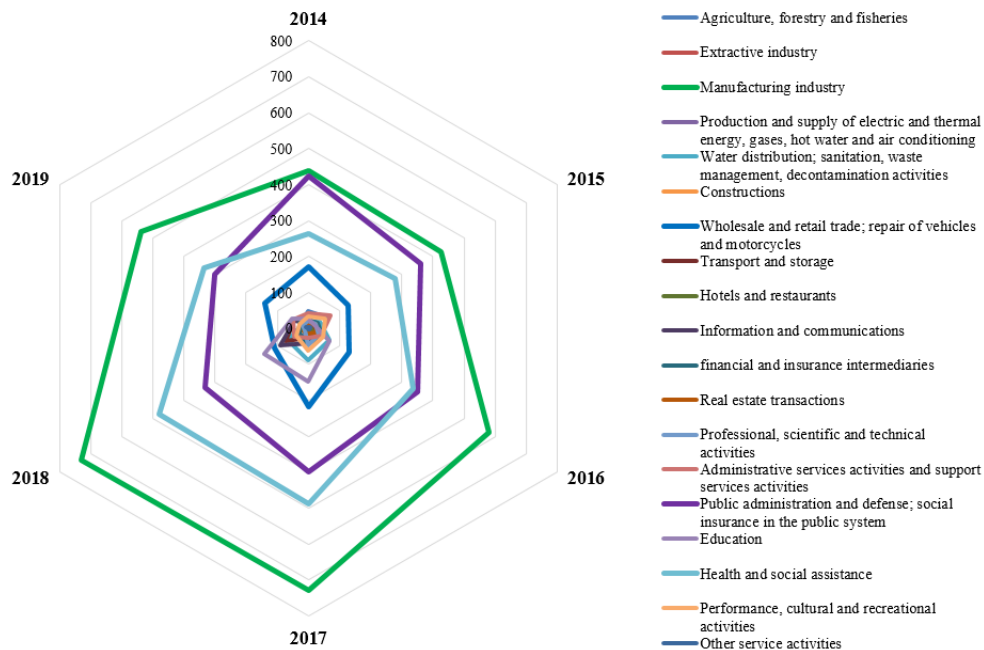


Figure 2. Distribution of vacancies in the South-West Oltenia region

Source: Author's processing, based on the National Institute of Statistics in Romania data

In the South-West Oltenia Region the highest numbers of vacancies in the analyzed period of time were registered in: (a) the manufacturing industry with an increasing of vacancies by 22% in the analyzed period of time, in 2017 as well as in 2018 the industry needed over 700 well-trained workers; (b) health and social assistance registered a increasing of vacancies by 27%; (c) the education sector of the South-West Oltenia Development Region dabbled its needs in the analyzed period of time, in 2017 and 2018 the education sector needed over 100 well-trained graduates, that weren't available on the market.

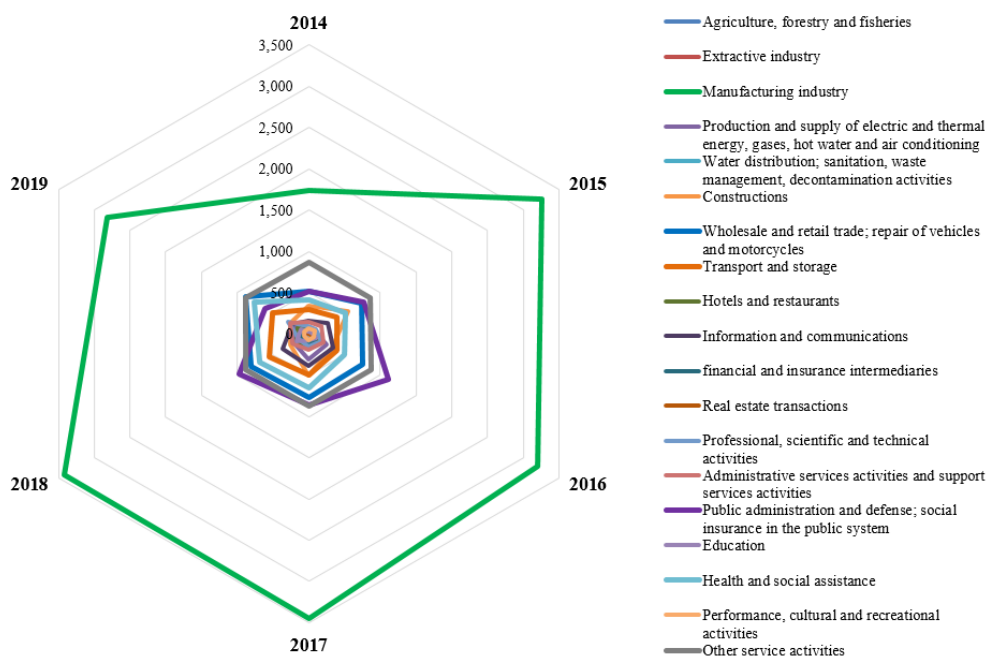


Figure 3. Distribution of vacancies in the North-West region

Source: Author's processing, based on the National Institute of Statistics in Romania data

Figure 3 shows the distribution of vacancies in the North-West Development Region, as the figure highlights: (a) the absence of well-trained workers in the field has the greatest impact on the manufacturing industry, in comparison to the study's baseline year, the number of vacancies increased by 67% in 2019; (b) over 400 jobs remained unfilled in the health and social assistance sector during the studied time period, with the need being highly problematic in 2018 and 2019, when over 700 well-trained workers were required; (c) the educational sector of the North-West Development Region saw a nearly fourfold increase in vacancies in 2019 when compared to the baseline year, when there were only 30 unfilled positions.

Taking into account the particularities of the analyzed Development Regions the commune shared points regarding the issues of the labor market were the manufacturing industry, health and social assistance. The inflection points were revealed by the region's distinct characteristics: (a) the North-West and South-West Oltenia Development Regions, which faced symmetrical labor market issues; and (b) the South-East region, which experienced labor market disparities in the public administration and defense sectors, where vacancies increased threefold in 2019 compared to the study's baseline year.

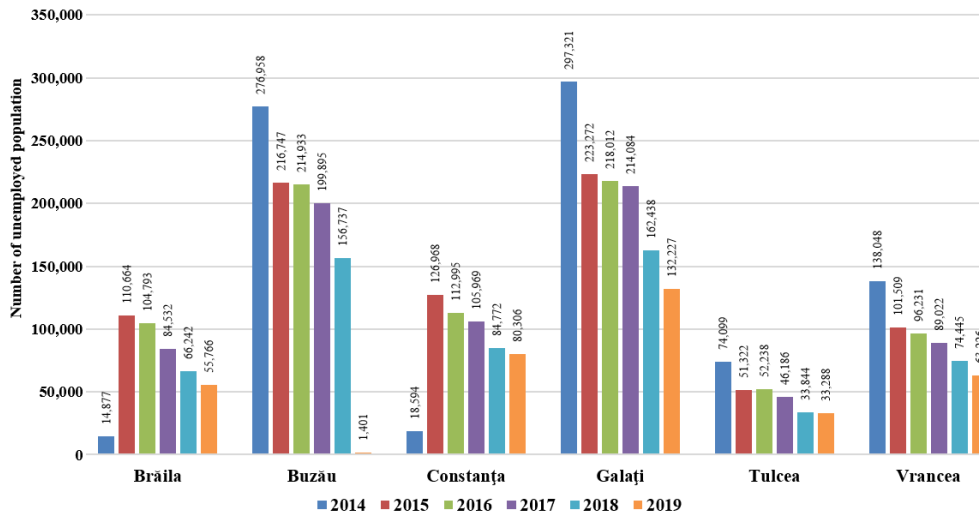


Figure 4. Unemployed registered in the South-East region

Source: Author's processing, based on the National Institute of Statistics in Romania data

The study of the unemployment rate was required in order to better observe the symmetry of regional labor market issues. As shown in Figure 4, the counties with the highest unemployment rates in the South-West Development Region in 2014 were Buzău and Galați, with over 200,000 unemployed workers; however, those two counties managed to reduce the number of unemployed by more than 50% in 2019. This phenomenon can be explained by the South-West region adjustments in the implementation of the regional policy to reduce intraregional economic and social inequalities.

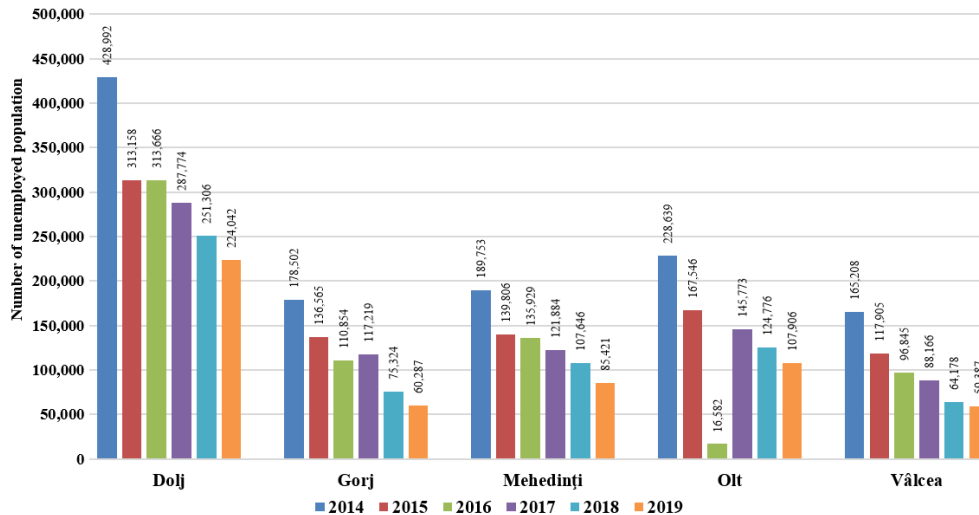


Figure 5. Unemployed registered in the South-West Oltenia region

Source: Author's processing, based on the National Institute of Statistics in Romania data

The South-West Oltenia Development Region has in administration five counties. As shown in Figure 5, Dolj county had the highest number of unemployed people in 2014; over 400,000 people were unemployed. The development region's efforts were visible in 2019, when they were able to integrate approximately half of the unemployed into the Dolj labor market. The same situation was seen in the counties of Olt and Vâlcea, where the unemployed population was reduced by 52.81% in Olt and 64.05% in Vâlcea. Although the unemployment phenomenon is still prevalent in the region, labor market integration can be easily managed by aligning the educational sector with the needs of the labor market.

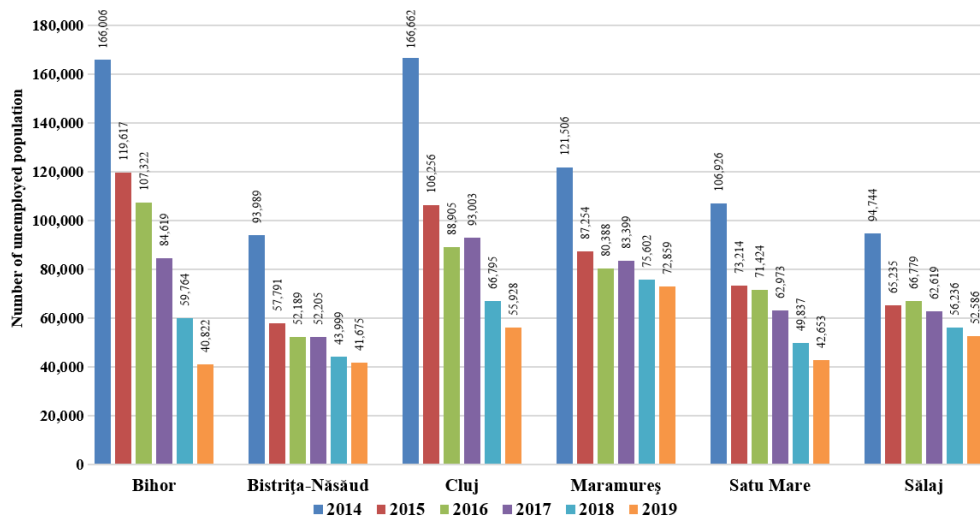


Figure 6. Unemployed registered in the North-West region

Source: Author's processing, based on the National Institute of Statistics in Romania data

Six counties are shown in Figure 6 under administration of the North-West Development Region. The counties with the highest number of unemployed people in the study's baseline year were Bihor, Cluj, Maramureș, and Satu Mare, with over 100,000 unemployed. In 2019, the unemployed population decreased by 75.41% in Bihor county, 66.44% in Cluj, and 60.10% in Maramureș county. This positive outlook can be attributed to the region's adjustments in the implementation of the regional policy to reduce intraregional social and economic inequalities.

4. Conclusions

In this paper, three Romanian development regions were analyzed and results showed that: (a) the North-West and South-West Oltenia Development Regions faced symmetrical labor market issues and (b) the inflection point in the analysis was the South-East region, which experienced labor market disparities in the public administration and defense sectors, where vacancies increased threefold

in 2019 compared to the study's baseline year. The analysis result validates the hypothesis that these regions share symmetrical issues of the labor market.

Future areas of research based on the present paper are: (a) studying the retention rate on the regional labor market; (b) studying the density of SMEs on a regional level in order to better see the symmetrical aspects of the labor market. The future research papers will fundament the role of sustainable solution for the labor market issues in the process of implementing the EU-27 Regional Policy on a national level.

References

1. Bramwell, A., 2012. Going Local to Integrate Growth and Inclusion? Cross-Sectoral Workforce Development Networks in Three Ontario Cities. p. 30.
2. Chiripuci, B.-C., Constantin, M., Popescu, M.-F., Scrieciuc, A. The Socio-Economic Impact of Migration on the Labor Market in the Romanian Danube Region. *Sustainability*. 2020; 12(20):8654. <https://doi.org/10.3390/su12208654>
3. Clarke, S., 2004. The politics of workforce development: Constructing a performance regime in Denver. Philadelphia: Temple University Press.
4. Constantin, M., Cojocaru-Maoreanu, O., Deaconu, M.E., Mercan, D.-D. 2020. Impactul globalizării asupra dezvoltării regionale în România. *Revista Română de Statistică-Supliment*. pp. 166-187.
5. Conway, M., 2011. Where labour supply meets labour demand: Connecting workforce development to economic development in local labour markets. Update, 6.
6. Dinu, M., Chiripuci, B., Constantin, M. 2019. O perspectivă socială asupra forței de muncă din România rurală. *Revista Română de Statistică-Supliment*. pp. 182-194.
7. Digital Agenda for Europe.
8. Emanu, B., 2009. Cooperatives: a path to economic and social empowerment in Ethiopia. ILO.
9. Fürst, D., 2004. Metropolitan governance in Germany. In: *Metropolitan Governance in the 21st Century*. Routledge. pp. 163-180.
10. Haiss, P. and Sümegi, K., 2008. The relationship between insurance and economic growth in Europe: a theoretical and empirical analysis. *Empirica*, 35(4), pp. 405-431.
11. Iammarino, S., Rodríguez-Pose, A. and Storper, M., 2017. Why Regional Development matters for Europe's Economic Future. p. 46.
12. Ignat, R., Constantin, M. Multidimensional Facets of Entrepreneurial Resilience during the COVID-19 Crisis through the Lens of the Wealthiest Romanian Counties. *Sustainability*. 2020; 12(23):10220. <https://doi.org/10.3390/su122310220>
13. Inflation report, prepared by the National Bank of Romania - November 2019
14. Lafferty, W.M., 2006. *Governance for Sustainable Development: The Challenge of Adapting Form to Function*. Edward Elgar Publishing.
15. Pastor, M., 2000. *Regions that work: How cities and suburbs can grow together*. U of Minnesota Press.
16. Pătărlăgeanu, S.R., Rădulescu, C.V., Dinu, M. and Constantin, M., 2020. The Impact of Heavy Work Investment on the Economy and the Individual. *Amfiteatru Economic*, 22(S14), p. 1085.
17. Pătărlăgeanu, S. R., Constantin, M., & Dinu, M. (2020). Towards Sustainable Development in the European Labour Market by Suppressing Corruption. In

- Proceedings of the International Conference on Economics and Social Sciences (pp. 548-556). Sciendo.
18. Popescu, M.-F., Chiripuci, B.-C., Orîndaru, A., Constantin, M., Scricciu, A. 2020. Fostering Sustainable Development through Shifting Toward Rural Areas and Digitalization – The Case of Romanian Universities. *Sustainability*. 12(10):4020.
 19. Popescu, M.-F., Constantin, M., Chiripuci, B. 2020. Large Private Companies: A Stimulus for the Marriage Rate Under the Premises of Job Security—the Case of the Romanian Counties, *Economic Computation & Economic Cybernetics Studies & Research*, 54(3), pp. 215-230, DOI: 10.24818/18423264/54.3.20.13.
 20. Rodrik, D., 2014. The Past, Present, and Future of Economic Growth. *Challenge*, 57(3), pp. 5-39.
 21. Slocombe, L., 2003. Integration in the Regions: Cross-sectoral Housing Policy Coordination at Regional Level. *Housing Studies*, 18(2), pp. 235-248.
 22. The National Institute of Statistics in Romania.
 23. Yigitcanlar, T., Velibeyoglu, K. and Martinez-Fernandez, C., 2008. Rising knowledge cities: the role of urban knowledge precincts. *Journal of knowledge management*, 12(5), pp. 8-20.