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HUMAN CAPITAL, INEQUALITIES AND LABOUR MARKET PARTICIPATION IN ROMANIA

Empirical study

Keywords

*Labour market,
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Human capital,
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Abstract

This paper aims to analyse characteristics of the labour market participation in Romania in order to highlight the existing inequalities in employment opportunities. Official statistics are analysed for providing an in-depth overview of the recent evolutions of the Romanian labour market. Special attention will be given to gender, rural-urban and age inequalities. The results show significant gaps in labour market participation for specific groups such as people living in rural areas, women and youth and high level of regional heterogeneity regarding the existing employment opportunities. The findings of the article are useful for policy makers and institutions with responsibilities in labour market and education fields.

1. Introduction

The topic of inequality is very present on the research and political agenda in the recent period. Inequalities maintain current social structures, conserve development gaps and foster frustrations and social injustice.

Along the years, the issue of equity has been approached from various perspectives, from economic to legal and from philosophical to political ones. The concept of equal opportunity refers to the idea that the outcome of a persons' life should be influenced by his or her efforts and merits and not by his or her background represented by predetermined characteristics such as gender, place of birth, social origin, ethnicity, etc. [Roemer, 1998]. Inequalities persist due to poor capacity of the political systems and institutions to reduce inequality traps and their tendency to reproduction. Inequality in opportunities persists over generations in many countries.

A very interested approach of this topic is the one developed by the World Bank that indicates the inequality of opportunity – within and between countries – as a major source of human capital waste and a risk for future development prospects and economic growth [World Bank, 2006].

Scholars have studies inequalities in a wide range of domains: inequality in health, inequality in education, economic inequality and so on. Evidences highlight the strong link that exists among these as inequalities in health and education nurture economic and income inequalities [World Bank, 2006].

Most studies analyzing inequalities are focused on indicators related with income or consumption of individuals [Lefranc, Pistoiesi and Trannoy, 2008; Ferreira, Gignoux, Aran, 2011]. Less attention has been devoted to the access of individuals to employment opportunities [Abrás, Hoyos, Narayan and Tiwari, 2013].

Romanian economy is an emergent medium-sized open economy which faces important challenges. Some of these challenges are related with the performances of the labour market and with the poor access of specific groups of individuals to employment opportunities and subsequently to quality life prospects. Moreover, the economic crisis affected more the labour market participation of vulnerable groups.

In this context, this article aims to present an overview of gaps in labour market participation in Romania and their evolution during the years of economic crisis and recovery.

2. Human capital and demographic evolutions

For all societies and economies, human capital is of huge importance. Unfortunately, Romania faces an important demographic decline.

Our population decreased sharply in the last ten years and reached a level of 19.8 million inhabitants (see Figure 1). Of course, the low natality is a very important cause for this negative evolution. But, on the other hand, migration of the Romanians represents an emergent phenomenon with significant implications at economic and social levels: both positive and negative implications. So, from the migration point of view, Romania is a sending country. Temporary migration is much higher than the permanent one. However, in most cases, temporary migration becomes circulatory migration and the number of returnees is not very high. In 2014, more than eleven thousand Romanians permanently left the country, while more than one hundred and seventy thousand individuals left the country on a temporary basis.

3. Inequalities in labour market participation

An important feature of the Romanian labour market is the very low activity rate. In 2014, the activity rate for the population aging 15-64 years old was of 65.7%. The indicator registered much higher values for men – 74.3%, while the rate for females was of 56.9%. The activity rate displayed a rather constant evolution for both genders in the last ten years period, having a slight decline in years of economic crisis. On the other hand, the impact of the economic crisis was higher in rural areas. The rural activity rate registered a sharp decline in 2009-2011, while the in the urban areas the indicator displayed modest positive evolution. In 2014, the activity rate in rural and urban areas was almost the same (see Figure 2).

Another important aspect of the Romanian labour market is the low level of the employment rate. The employment rate for 15-64 years old was 61% in 2014. The national target for the year 2020 for the employment rate of the age group 20-64 years old is of 70%, while in 2014 Romania registered 65.7%. There is an important gender gap with respect to the employment rate. In 2014, the employment rate of men was of 68.7%, while women registered only 53.3%. The employment was very impacted by the economic crisis, but mostly in rural areas. Now, the employment in urban areas is higher than it was in 2008 (before crisis), but the rural areas are still much under the level from 2008. Higher level of employment in rural areas is related with the large agricultural sector which is mainly subsistence agriculture (see Figure 3).

On the other hand, Romania displays a not very high level of the unemployment rate. In 2014, the ILO employment rate was of 6.8%, higher for men (7.3%) as against women (6.1%). In 2008, the unemployment registered a pretty low value (5.6%), but after that the effects of the economic

crisis influenced its evolution. In the following years, the level of the unemployment remained around 7%. Urban unemployment is much higher as against the rural one. In 2014, the urban unemployment rate was of 8.1% and the rural one was much lower, of 5.3%. In rural localities, high shares of individuals work as self-employed or unpaid family workers in agricultural households (see Figure 4).

Youth unemployment is another problematic area for the Romanian labour market. In 2014, unemployment rate for youth aging 15-24 years old was of 24%. The situation is much more difficult for those with ages between 15 and 19 years old who register a rate of 34.2%. The unemployment rate for the group age 20-14 years old is much lower - 21.8%. So, we have a total unemployment rate lower than the EU average, but a youth unemployment rate higher as against the EU average. It highlights significant inequalities in labour market participation affecting young people. Also, it means that Romania needs stronger mechanisms of skill matching (see Figure 5).

Figure 6 presents the evolution of the NEETs rate (young people not in employment, education or training). In 2015, this rate for 15-24 years old was of 18.1%. Romania ranks the 5th among the countries with the highest rates of young people NEET, after Italy, Bulgaria, Greece and Spain. Moreover, the rate is much higher in case of women – 21.4% as against men who register a rate of NEETs of 15%. It is clear that the NEETs rate is very sensitive to the evolution of the economic environment. Also, the rate of NEETs is much higher in rural area, where the gender gap is even wider. Another important issue is that the decomposition by education shows that the highest rate of NEETs is registered for young people with ISCED 0-2 and for ISCED 3-4, showing that level of education remains one of the most important factors shaping the access of individuals to employment and learning opportunities.

4. Employment opportunities

Overall, the Romanian economy displays a very low capacity of job creation. The rate of job vacancies was of almost 2% in 2008 (the year with the highest economic growth) and only 0.6% in 2010 when the economic crisis picked. In 2014, the rate was of 0.89%.

One important aspect is the significant regional disparity. While in the years of economic crisis the regional gap diminished, in the recent period the differences started to increase. Highest rate of job vacancies is registered in West region and the lowest in South Est and South West (see Figure 7).

5. Conclusions

The study of inequalities in labour market participation remains of high importance for all the

countries and especially for those with emerging economies that are more vulnerable to external shocks and crisis.

In Romania, the economic crisis affected more the labour market participation of people living in rural areas and young people. Moreover, in the years post economic crisis some areas and regions succeeded to recover faster and to display a sustained rhythm of growth, while others still struggle to reach the pre-crisis situation. In this context, inequality traps affect the ability of specific groups of individuals to access employment opportunities and enjoy a fruitful life.

For reducing inequalities in labour market participation in Romania both macro and micro level programs are needed. Thus, along with interventions oriented towards reducing the development gaps among different regions and areas, effective educational programs should be provided for those with low employability. Such educational programs need to equip learners with competences that are required on the labour market in order to achieve a better match of the supply of with the demand for labour.

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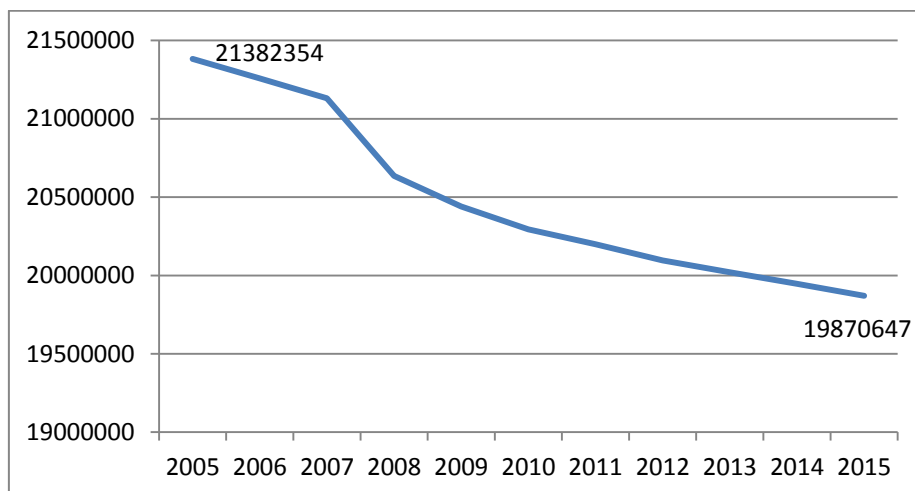


Figure 1. Evolution of the population in Romania 2005-2015
 Source: National Institute for Statistics

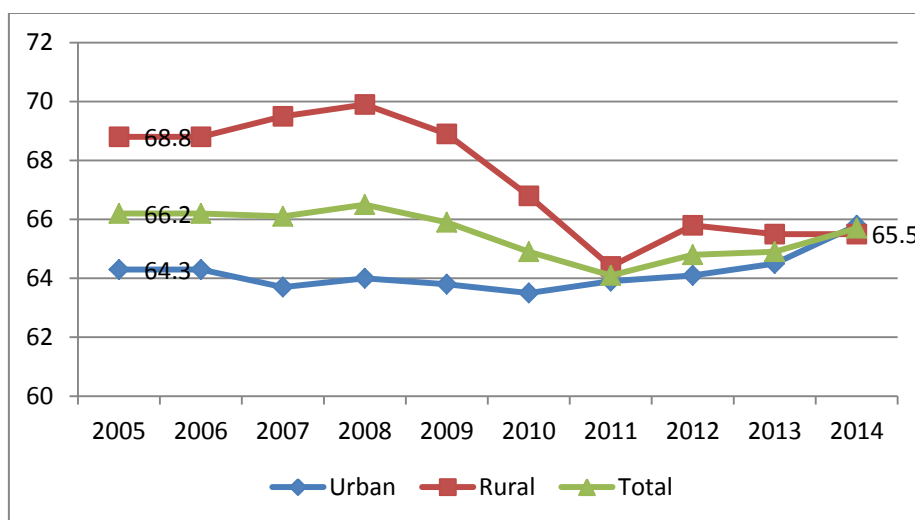


Figure 2. Activity rate 2005-2014 (%)
 Source: National Institute for Statistics

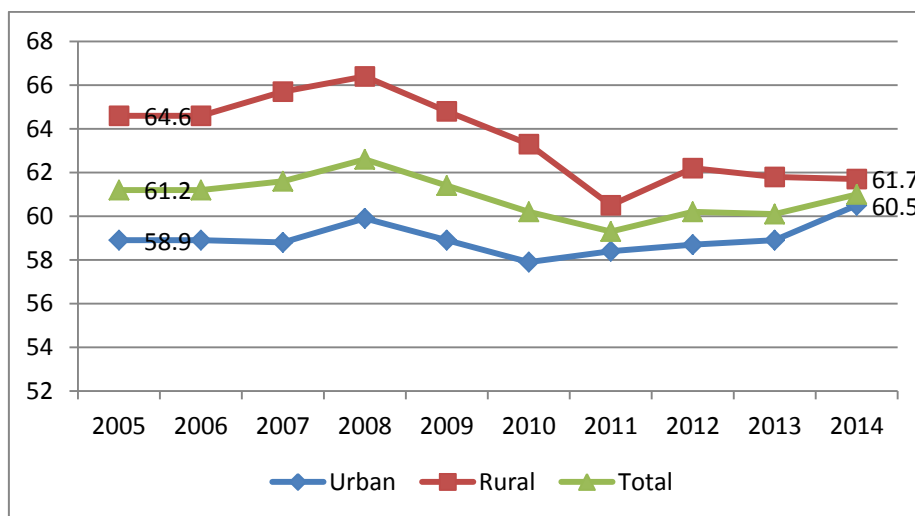


Figure 3. Employment rate 2005-2014 (%)
 Source: National Institute for Statistics

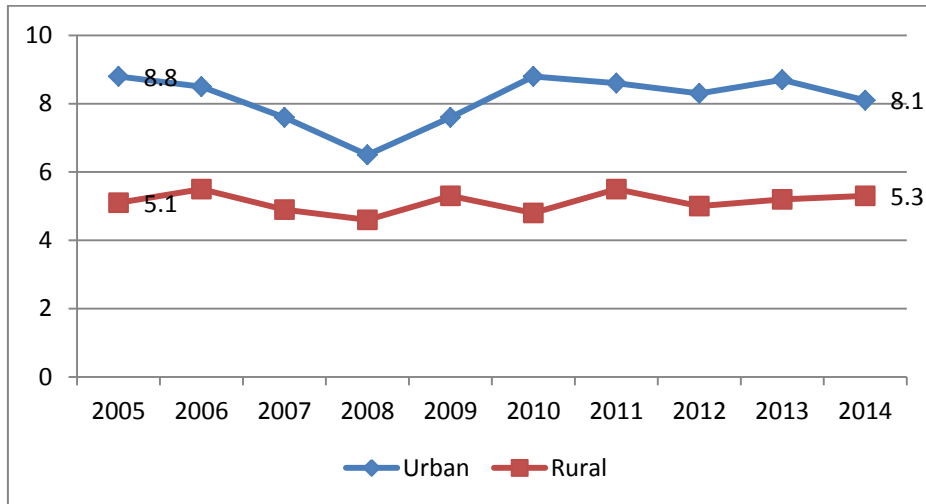


Figure 4. ILO Unemployment rate 2005-2014 (%)
Source: National Institute for Statistics

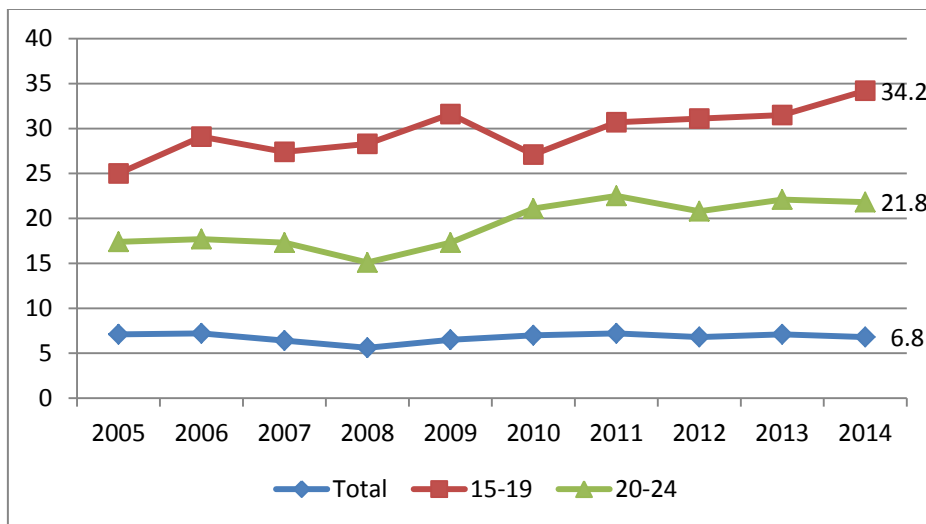


Figure 5. ILO Youth Unemployment rate 2005-2014 (%)
Source: National Institute for Statistics

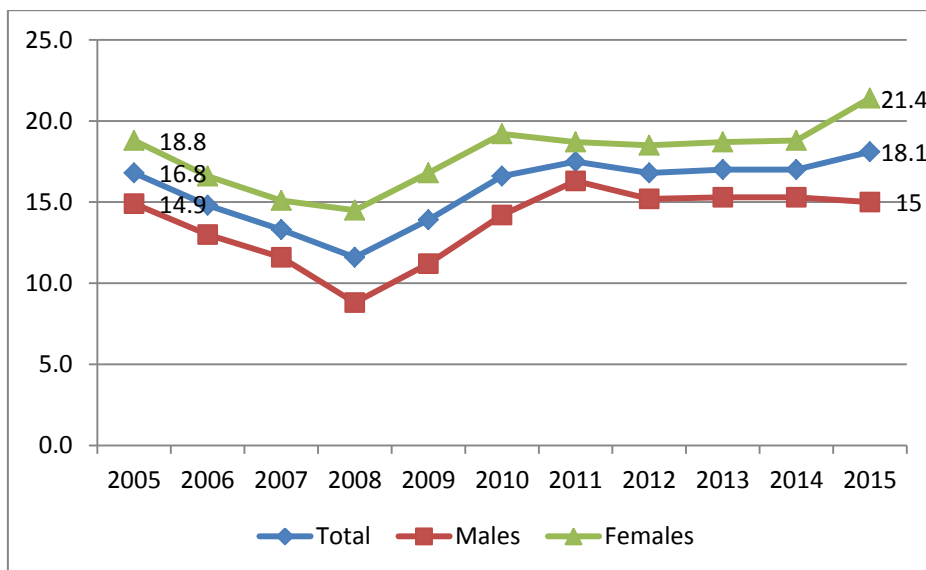


Figure 6. NEETs rate 2005-2014 (%)

Source: Eurostat

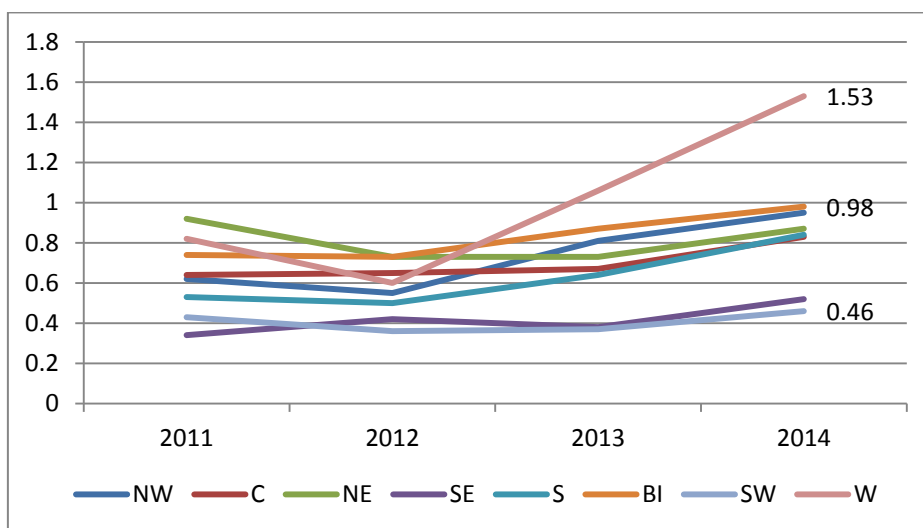


Figure 7. Job vacancy rate 2011-2014 (%)
Source: National Institute for Statistics