

Laura Marcu, Ph.D.

Valahia University of Targoviște, Faculty of Sciences and Engineering Alexandria,
Romania

laura_marcu_uvt@yahoo.fr

Ivan Kožul, Ph.D.

Široki Brijeg, Bosnia and Herzegovina

ivan.kozul@icloud.com

Goran Bradić

Zagrebački holding d.o.o., Zagreb, Croatia

Goran.Bradic@zgh.hr

ROMANIAN LABOUR MIGRATION IN EU AND ITS IMPLICATIONS ON ROMANIAN COMPANIES

Received: October 15, 2018

Accepted: December 20, 2018

Review

Abstract

Romania is currently facing a labour crisis that has not ever known. The phenomenon is not new but has increased gradually so that companies operating in Romania encounter more difficulties in finding staff required for their activity. The reasons for this phenomenon are economic, plus the lack of national policies, that encourage young and skilled workforce to migrate. The article approach the migration of labour from Romania and focus on how this phenomenon affected companies' activities and solutions they initiated to counter the impact of the phenomenon.

Keywords: *European Union, Romanian companies, labour shortage, work migration.*

JEL: J2, J6, M5.

1. INTRODUCTION

Romania faces a strong workforce crisis, which is considered by some experts as the main problem of the Romanian economy. At the macroeconomic level, the employment rate indicates a positive situation and the objective that Romania has set in the Europe 2020 Strategy is close to be reached. However, Romania has a

employment rate below most of EU states. The first part of our article highlight Romania's situation in relation to other Member States in terms of employment and unemployment rates, as the main indicators characterizing the labour market. The data used for this purpose are those published by Eurostat in order to ensure comparability between countries and presenting trends in the phenomena analysed. In addition, we will use data provided by National Institute of Statistics (abbreviated as INS).

The second part of article addresses the issue of employment in terms of companies operating in Romania and who are forced to face the labour shortage. This crisis has many causes, mainly sustained by demographic change and migration of active population to other countries in the European area, due to the poor living in Romania.

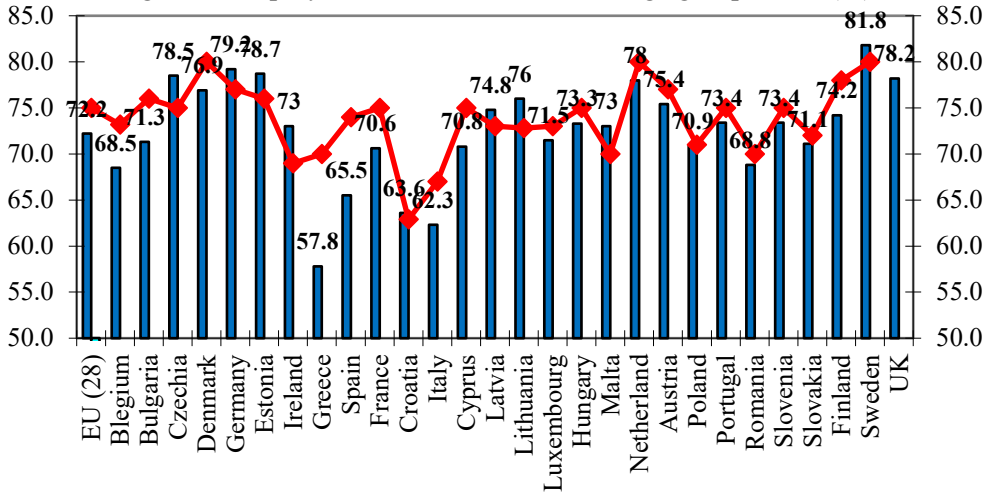
On the other hand, many foreign companies have chosen to work in Romania attracted by the low cost of manpower. As work demand decreased in number and skill level, these companies began to face difficulties in recruiting and retention of employees. Gradually workforce crisis has spread to new sectors, the lack of personnel manifesting both employees with higher education and skilled workers. As a result, we highlight the main sectors affected by the lack of manpower, personnel shortage occupations and solutions adopted by companies to cope with this phenomenon.

2. MACROECONOMIC PERSPECTIVE ON EMPLOYMENT AND UNEMPLOYMENT

2.1. Romania versus other Member States

Macroeconomic indicators characterizing labour market in Romania indicate a positive situation, ie a high employment rate for the population aged between 20 and 64 years, and low levels of unemployment. Increasing employment is one of the objectives of Europe 2020 Strategy, each Member State establishing a certain level of employment as a target by the year 2020. Regarding Romania, the target was set at 70%. Employment has a higher rate in Romania compared to countries like Greece, Italy, Croatia, Spain, Belgium, but mostly it is noted that the employment rate is close to that fixed in the Europe 2020 Strategy. Figure 1 shows, by column, the employment rate achieved in Member States in 2017, while the red line indicates the employment rate assumed by each country by 2020.

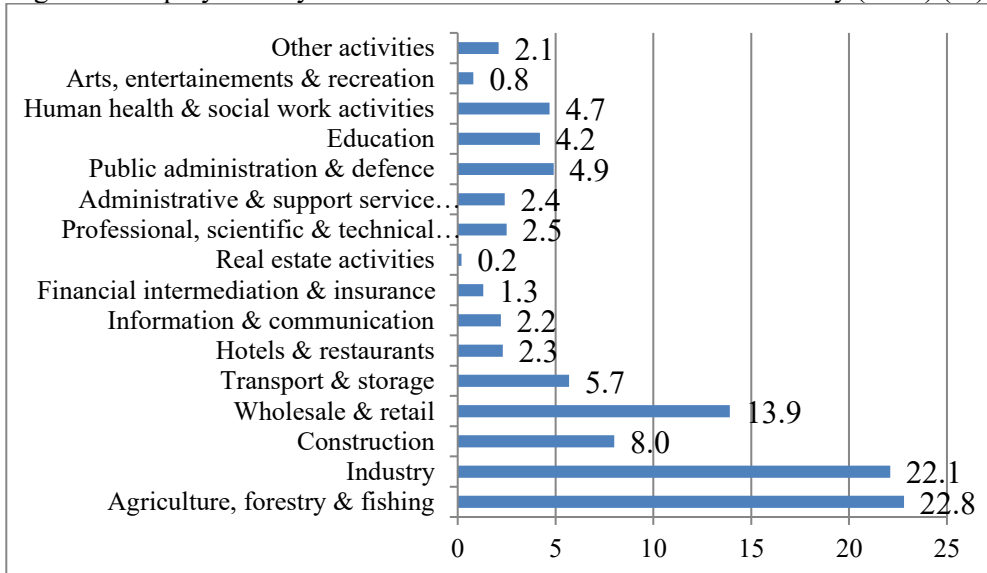
Figure 1. Employment Rate in UE in 2017, age group 20-64 (%)



Note: red line indicate employment rate targeted by each MS according to Europe 2020 Strategy. Source: Eurostat Data.

Regarding activities that have absorbed most of the workforce in Romania, industry and agriculture hold a similar proportion (22%), followed by sectors of wholesale & retail (14%) and construction (8%) (Chart no. 2).

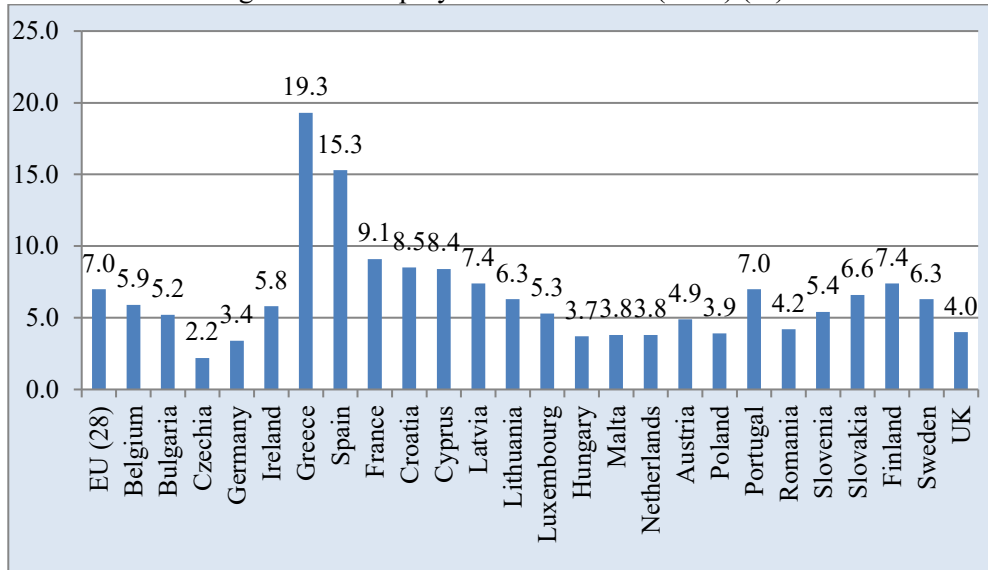
Figure 2. Employment by the Main Activities of the National Economy (2017) (%)



Source: INS (2018), "Romania in Figure", p. 22.

Regarding unemployment, Romania had in 2017 one of the lowest levels if we compare with other EU countries. Romania has an unemployment rate below the EU average and only a few countries have recorded lower rates than Romania (Czech Republic, Germany, Hungary, Malta, Netherlands, Poland, UK) (Chart no. 3).

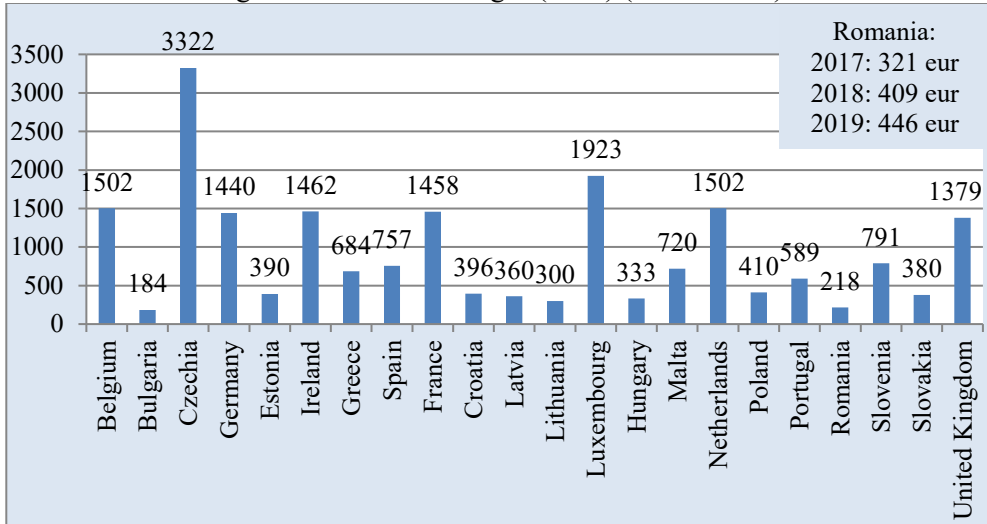
Figure 3. Unemployment Rate in UE (2017) (%)



Source: Eurostat Data.

On the other hand, Romania remains in the bottom of the EU countries in terms of monthly income. In 2015, it was 218 euro/month in Romania, only Bulgaria having a lower level (figure 4). Meanwhile, Romanian government policies have led to a gradual increase of the minimum income guarantee; the last increase is applicable from January 1, 2019.

Figure 4. Minimum Wages (2015) (EUR/month)

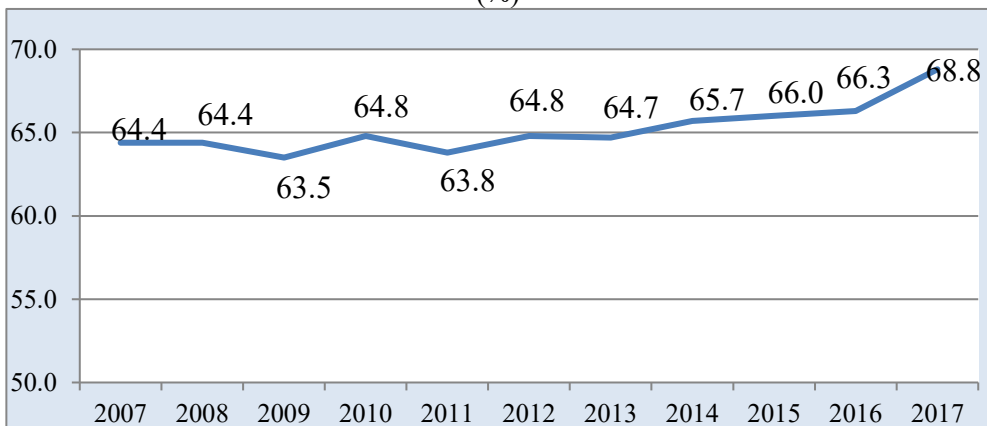


Source: Eurostat Data & Ministry of Finance of Romania.

2.2. The trend of macroeconomic indicators in Romania

We highlighted above that according to the latest statistical data on macroeconomic indicators, Romania had a positive situation relating to the labour market but the question is whether those values reflect a circumstantial situation or a constant process of improvement. From this point of view, analysis of data for the entire period that followed accession to the EU shows that the employment rate was characterized by consistent growth (figure 5).

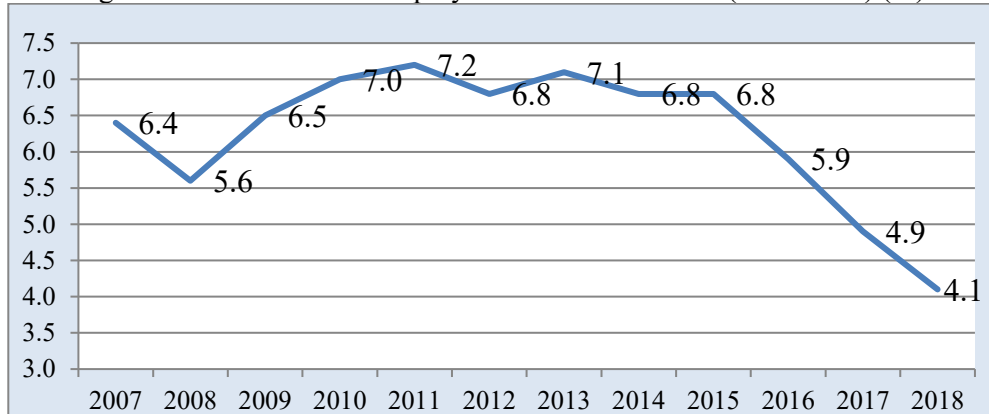
Figure 5. Romanian Employment Rate between 2007 and 2017, age group 20-64 (%)



Source: Eurostat Data.

The unemployment rate was much sinuous: after a slight decrease immediately after joining the EU, the unemployment rate increased in the period 2008-2011 in the context of economic crisis that affected Romania, fluctuated slightly between 2011 and 2014 and later fall steadily (Figure 6).

Figure 6. Evolution of Unemployment rate in Romania (2007-2017) (%)



Source: Eurostat Data.

3. LABOR SHORTAGE IN ROMANIA: CAUSES AND IMPLICATIONS AT THE MICROECONOMIC LEVEL

The significant decrease in unemployment in recent years, beyond the positive macroeconomic situation reveal a serious problem of the Romanian economy, that of labour shortage. According to the statement of the Minister of Finance in June 2018, Romania has a labour shortage of nearly one million people, while the number of unemployed recorded at the end of 2017 was less than 550,000 persons [Popa F., 2018]. The causes of the workforce crisis in the Romanian economy are manifold. It is primarily the migration of labour from Romania to other countries, especially the EU space. The migration phenomenon has manifested itself before the EU accession but stressed by the time of Eu accession. In 2016, Romania has come to occupy the 4th place in the EU after the number of citizens living abroad: about 3.4 million people, ie 16% of the population. From this point of view Romania is surpassed only by the UK (4.9 million immigrants), Poland (4.4 million immigrants) and Germany (4 million immigrants) [Protv, 2016]. The main reason for migration is the standard of living in Romania, as well as low levels of earnings. Although Romania has recorded in the last 10 years the largest increase in the minimum wage to other EU countries (an increase of 195% in 2018 compared to 2008), the wage is much lower than in Western countries [KeysFin, 2018]. In addition, specialists are looking for professional development opportunities foreseen certainly abroad (for example in healthcare or scientific research areas).

Demographic changes also affect the labor demand, as Romania is characterized by a pronounced negative natural growth accompanied by aging population. According to European statistics, Romania's population decreased by 7% in 2007-2017 and is projected to drop by 13% by 2040 (compared to 2017) and 26% in 2080 (compared to 2017) [Eurostat]. Therefore, from 21.1 million in 2007, Romanian population was 19.6 million in 2017 and will be only 14.5 millions in 2080, the phenomenon having a clear impact on the labor market.

On the other hand, most migrants are young people in the age group 30 -45 years; it is a loss of people who can contribute to population growth but also to ensure a higher level of productivity at work, and few of these people will come back to the country [wall-street.ro].

Besides labor migration another negative phenomenon became noticeable namely the low level of preparedness of those left behind. According to Eurostat, Romania is the third country in the EU by the school dropout rate, with over 18% of young people aged between 18 and 24 leaving secondary and higher education before completion [Popa F., 2018]. In addition, the gap between the education system and the labor market requirements make many of higher graduates not have knowledge and skills sought by employers, and vocational education is weak [Hostiuc C., 2018].

The main sectors affected by the lack of labor force are shipbuilding and hospitality, but the causes are different: in shipbuilding missing qualified welders because although well paid, they have already gone abroad and no one can find highly qualified personnel. In hospitality, the main cause of the lack of staff is linked to low salaries. [Bechir M., 2018]. Other areas where the scarcity of labor is significant are: manufacturing, health sector, trade and public sector [Alexe I., 2017].

In terms of qualifications, the greatest demand for labor is among specialists (such as IT programmers, engineers, finance...), plus staff for services, machinery and machine operators, assemblers for machinery and equipment and skilled workers. [Alexe I., 2017]. Demand for labor is not uniformly expressed nationally; especially big cities and Bucharest are on top.

4. SOLUTIONS ADOPTED BY COMPANIES IN ROMANIA TO FACE LABOR SHORTAGE

Romania is not the only EU country facing shortage of a skilled workforce. With an unemployment rate of only 2.2% in 2017, Czech Republic faces also a lack of manpower and the solution applied was attracting workers from other European countries, poorer, such as Romania and Bulgaria. Meanwhile, Poland has used the import of labor force, especially from Ukraine; it is estimated that were attracted about one million Ukrainians, most after the beginning of the conflicts in the

breakaway regions in 2014. To this was added workers from Asian countries (Nepal, India, Bangladesh) [Bechir M., 2018]. Romania also applied the solution of import of labor force. But given the low salaries, Romania is forced to focus on countries where earning is even lower. Thus, Romania imported manpower mainly from Asia: in 2017 most of workers came from Vietnam, while in 2016 the majority was Chinese. In addition, Romania imported labor from countries such as Turkey, India or Republic of Moldova. [Ciobotaru T., 2018]. Nationally, the quota of foreign workers for 2017, set at 3,000 people was exceeded, leading to 3211 persons. Following the acute need of manpower, the Government increased the quota of manpower imported by 7,000 people for 2018 [Lazurca A., 2018].

Workforce crisis has prompted more companies to resort to companies specialized in recruitment. Thus HR market increased from 2.06 billion lei in 2012 to 3.6 billion lei in 2017, and the number of recruitment companies increased by 20% in 2016 compared to 2012 while their net profit nearly doubled. The development of this type of activity was largely in areas economically dynamic: Bucharest-Ifov, Cluj-Sibiu, North-Eastern, Constanta-Dobrogea, Timisoara-Banat. The radiography of geographical distribution of recruitment companies outlines disparities at national level in terms of economic development: areas Moldova, Oltenia and Muntenia have fewer HR companies and these areas are also those in which most people have migrated abroad. [KeysFin, 2018].

In order to cover staff shortage, employers in Romania oscillates between attracting employees from other companies by offering advantages over competitors (practice called Head-Hunting), and the practice of human resources policy geared to maintaining its own employees and improving their training (paid internships, facilities for personal development, vocational school organized by companies). A common way to keep employees is to provide facilities such as meal vouchers, gift vouchers, bonuses depending on activity increase, holiday bonuses, medical packages or life insurance.

However, there are few companies who decide to increase the minimum wage granted as a way of attracting potential employees, and for keeping those already won. Many foreign companies choose Romania just because work force is cheap. An example is the customer support companies that prefer to open offices in Romania and hire call center or back office operators who assist clients in French, Spanish or German. On the other hand, there are companies in the retail sector who decided to increase the gross minimum wage well above the guaranteed minimum wage at national level to attract employees (for example, Lidl set this level to 750 eur compared with 445 eur how is nationally).

Another solution identified by employers is a partnership project based on outsourcing of company' services to independent specialists or to micro enterprises [KeysFin, 2018]. Beside lower cost labor, this solution has other advantages: lower

logistics costs, execution time shorter. The solution encourages people with entrepreneurial spirit, willing to work for many companies to improve earnings.

5. CONCLUSION

We have highlighted in our article that Romania has a lower employment rate than most EU countries but close to the target set for 2020, and a rather low level of unemployment. Even if this situation is positive, Romania is facing a deep crisis of labor in many sectors of national economy: manufacturing, construction, retail, HORECA, healthcare and public sector, both in terms of specialists and qualified workers. Despite this, Romania remains attractive to foreign investors, especially by low labor costs. In fact, one of the main reasons for the lack of workforce is its migration in search of earnings greater than those existing on the national market. The apparently simple solution to increase the minimum wage at national level to stop the flow of labor to other countries, and to determine a number of Romanian migrants to return home is offset by the effects that such a policy has on companies costs. As a result, there are few companies that have decided to increase the salaries and financial benefices to attract and keep employees.

In this context, macroeconomic policies need to support investments capable of ensuring the competitiveness of firms given than staff cost increase. Developing vocational education is another solution that can provide professional skills of certain groups of young people (such as those in areas with low economic development, young at risk or in dropout situation) and, on the other hand, skilled workers for trades heavily sought on labor market. Vocational schools are needed in all areas, from automotive to agriculture, from material processing to craftsmen. In the short term, however, employers are forced to continue fighting to hunt employees from competitors, to seek to import personnel from countries poorer or to form their own staff and to provide sufficient professional motivation so they can keep it as long.

REFERENCES

1. Alexe Isabela (2017), „Criza fortei de munca in Romania. Cu ce se confrunta angajatorii”, May 2, available online at <https://legislatiamuncii.manager.ro/a/23407/criza-fortei-de-munca-in-romania-cu-ce-se-confrunta-angajatorii.html>, last accessed 5.2.2019.
2. Bechir Mariana (2018), „Criza fortei de munca: Romania isi dubleaza „importul” de muncitori din Asia”, January 16, available online at <https://cursdeguvernare.ro/criza-fortei-de-munca-romania-isi-dubleaza-importul-de-muncitori-din-asia.html>, last accessed 5.2.2019.
3. Ciobotaru Ticu (2018), „În România începe criza forței de muncă”, August 6, *Romanialibera.ro*, available online at <https://romanalibera.ro/economie/in-romania-incepe-criza-fortei-de-munca-745330>, last accessed 10.3.2019.

4. Hostiuc Cristian (2018), „Este criză pe piața muncii? Nu mai aveți pe cine să angajați?”, June 23, *Ziarul Financiar*, available online at <https://www.zf.ro/opinii/criza-piata-muncii-aveti-angajati-pleaca-tinerii-lucreze-afara-unde-ati-ecaterina-andronescu-guvernul-pdl-psd-desfiintau-scolile-profesionale-unde-erati-trebuia-sustineti-majorarea-salariului-minim-17259038>, last accessed 5.3.2019.
5. INS (2018), "Romania in Figure", Bucharest.
6. Lazurca Ariana (2018), „Business report: Criza fortei de munca: Romania isi dubleaza "importul" de muncitori din Asia; In 2018 suportam consecintele consumului galopant de anul trecut; Guvernul vrea investitii de 27 miliarde de euro la Autostrazi pana in 2030”, January 17, *HotNews.ro*, available online at https://revistapresei.hotnews.ro/stiri-revista_presei_business-22230113-business-report-criza-fortei-munca-romania-isi-dubleaza-importul-muncitori-din-asia-2018-suportam-consecintele-consumului-galopant-anul-trecut-guvernul-vrea-investitii-27-miliarde-euro-autostrazi-pana.htm, last accessed 5.2.2019.
7. Popa Florin (2018), „Criza fortei de munca din Romania”, June 13, *Manager.ro*, available online at <https://www.manager.ro/articole/economie-139/criza-fortei-de-munca-din-romania-95467.html>, last accessed 5.2.2019.
8. *** (2019) „Diaspora, o resursa esentiala. Antreprenori: Criza fortei de munca este mult mai grava decat cea economica”, *wall-street.ro*, available online at <https://www.wall-street.ro/articol/Economie/231771/felix-patrascanu-ceo-fan-courier-criza-fortei-de-munca-este-mult-mai-grava-decat-cea-economica.html>, last accessed 5.2.2019.
9. *** (2019), „Retailerii continuă lupta pentru a-și păstra angajații: Lidl majorează salariul minim brut la 3500 lei pe lună”, March 5, available online at <https://www.worldnewslive4you.com/2019/03/05/retailerii-continua-lupta-pentru-a-si-pastra-angajatii-lidl-majoreaza-salariul-minim-brut-la-3500-lei-pe-luna/>, last accessed 10.3.2019.
10. *** (2018), „Romania trece prin cea mai grava criza de forta de munca din istoria recenta - analiza Keysfin”, Mai 1st, *ziare.com*, available online at <http://www.ziare.com/locuri-de-munca/angajari/romania-trece-prin-cea-mai-grava-criza-de-forta-de-munca-din-istoria-recenta-analiza-keysfin-1511860>, last accessed 5.2.2019.
11. *** (2018), „Criza forței de muncă în România. Cum se fură angajații de la concurență”, October 16, available online at <https://www.g4media.ro/criza-fortei-de-munca-in-romania-cum-se-fura-angajatii.html>, last accessed 10.5.2019.
12. *** (2016) „Romania a intrat in TOP 5 al tarilor cu cei mai multi emigranti. Cati romani au plecat sa munceasca in afara”, July 24, *stirileprotv.ro*, available online at <https://stirileprotv.ro/stiri/social/3-4-milioane-de-romani-locuiesc-in-diaspora-datele-care-arata-ca-inca-sunt-in-permanent-contact-cu-tara.html>, last accessed 5.2.2019.
13. *** Eurostat Data.