

# MPRA

Munich Personal RePEc Archive

## **Theoretical approach and practical analysis on employment measures- case study on Romania, 2010**

A. Ana Maria Balan

11. August 2011

Online at <http://mpa.ub.uni-muenchen.de/34062/>

MPRA Paper No. 34062, posted 2. November 2011 23:44 UTC

# **THEORETICAL APPROACH AND PRACTICAL ANALYSIS ON EMPLOYMENT MEASURES- CASE STUDY ON ROMANIA, 2010**

**Ana Maria BALAN**

Alexandru Ioan Cuza University, Faculty of Economics and Business  
Administration  
Iasi, Romania  
*balan\_ana84@yahoo.com*

## **Abstract**

*The active measures are the main strategies that have the effect of reducing the unemployment, on short, medium and long term. An active measure has the effect of employment growth, by creating new jobs or by facilitating the access to vacancies. This paper aims to inform about the active measures taken in Romania in 2010, through the Employment Program's provisions. Also, the paper offer a short analyses concerning the number of persons included in these measures, by Romania's regions and by categories of ages.*

## **Keywords**

Employment, active measures, Employment Program, labor, policies.

## **1. THEORETICAL PERSPECTIVES ON EMPLOYMENT POLICIES AND STRATEGIES - LITERATURE REVIEW**

The strategic management recently became the favorite model in the economic decisions. The strategy represents all the major long-term objectives, the main ways to achieve them, with the resources allocated to fulfill the mission. The policies aren't only simple representations of the strategies; these are mainly reflected in the annual plans or programs developed by various institutions which are meant to act on the labor market.

The measures are determined by the manner in which an activity should be met, recalling the steps to be taken in a rational sequence, to achieve the goal; are more stringent than the policies, more mandatory and inflexible [2, p. 287].

### **1.1 Conceptual operationalization of the labor market employment policies**

In the decision to employ human resources, the enterprise has in view the size and frequency of orders, also the marginal productivity of labor, coupled with the average one of the economic branch; when productivity decreases, it also decreases the marginal productivity, marginal product and marginal revenue of the companies; the diminishing of the marginal income involves low demand for labor, until the marginal revenue is equivalent to the marginal cost of labor. This can be seen in the

dismissal, and for those remaining in business there is an intensification of work; this situation "forms" the most unemployed.

The offer of employment is influenced by several "transition" factors, such as alternative salaries, non-pecuniary benefits of employment, union pressure, skills of employees and labor laws. For example, the non-pecuniary aspect of employment explained mainly the labor migration and its effects: a preference for stable activities, for a home town or for a climate regime [11, p.139].

An ideal perspective states that the full employment is when no one is left without a job, with the condition that all the possible workforce to agree to work at the existing wage levels. In addition to this definition can be added the time taken into account, if an employee is transferred from one job to another, a period in which he is considered unemployed (in this case appears the frictional unemployment).

The full employment can be determined basically taking the absolute value based on the number of the unemployed registered at labor offices, under the influence of the applicable law concerning the unemployment. However, it is obviously that the society will always include unoccupied persons unregistered as unemployed, or as employers, out of school, without unemployment compensation, or without any other support or subsidy to provide them a decent source of survival [10].

The employment policies are regarded as macro-policies that affect the volume and structure of employment and of unemployment only indirectly, but decisively, because their results provide the framework for maximum impact of labor market policies on short and medium term. The instruments for implementing employment policies are macro-fiscal, monetary, wage and social policies, addressed to the macro-economic categories.

A good employment policy should cover not only a reduced unemployment, but should have in view the restriction of precarious jobs [9, p.74]. Gheorghe Oprescu proposes a series of measures that may result in policies to combat unemployment:

- policies to support the economic growth process: are necessary because it is accepted that one of the main causes of unemployment is the insufficient concern for visible growth. The crucial role, from this perspective, is attributed to state, which, through financial, monetary and fiscal mechanisms, must spur the real overall progress, providing conducive conditions to a moderne market economy development;
- policies to reduce the labor supply: aimed the older employees, whose rate of activity in transition countries, although decreasing, is higher than in developed countries;
- services offered to nemployed: improving and expanding of the labor offices' services can not be neglected. In Western Europe, for example, are 7 to 14 workers in such institutions to 10 000 people, while in Eastern Europe are 1-2 workers for the same number of people of working age;
- creation of new jobs: it is justified especially from the perspective of efficiency and is not recommended an arbitrarily growth for the labor demand;
- general actions on the labor market factors: the external flexibility, in order to adapt the number of workers to the more or less strong changes of demand for labor (through moderate layoffs), the internal flexibility, through resizing the working time, the restructuring of the manufacturing processes;

- training or retraining courses: when carrying out restructuring, the redundant workers not only lose their jobs, but there is no demand for what they know to provide. Retraining is very important, especially if there is a situation that the number of vacancies is equal to the number of unemployed, and the lack of qualification would prevent the latter to become employees [6, p.155].

## 1.2 Measures of employment in the context of transition to a market economy

In the labor market management, a key requirement is flexibility. Often, the flexibility is understood only in "limited" meaning, as the freedom of employers to hire and fire workers; in the European policies, flexibility is understood as a multidimensional concept, with reference to the existence of contractual flexible provisions and lifelong learning comprehensive strategies, to facilitate and assist in successful labor market transitions, such as from school to work, from a job to another, from unemployment to employment, from job to retirement.

In some European countries, the result of more flexible labor market reforms was to create a dual labor market, highly segmented between insiders and outsiders, leading to the growth of new forms of social inequality, especially in those countries where "the social rights are closely related to the occupational position - in Central and Southern Europe" [1].

The labor market organization and functioning should "avoid" the discrimination on the labor market; it "may occur before entering on the labor market", in which case we speak of prediscrimination. This means that the chance of an individual's personal development does not depend on his skills. We can speak about inequality of opportunity which is due to the social environment of each individual. Wage discrimination can be explained by gender segregation between sectors, occupations, jobs and hierarchical positions. These differences can be explained by: differences in compensation, which can vary from one sector to another, the efficiency wage to control the employees or to reduce the rate of workers' rotation etc." [3].

There are necessary policies or **active measures** in the field of management, to create opportunities for training, especially for the workers with scarce skills - individuals with low education or older workers [8, pp.67-68].

The essence of the active measures/policies is to facilitate the access to employment, also aims to improve the professional qualifications and the labor market functioning. One objective of the active employment policies is to improve the adequacy between the supply and demand of workforce through training, retraining and involving public employment service [4].

The active measures are usually micro-policies, trying to make the unemployed more attractive for employers or are addressed to people who are threatened by the risk of redundancy. Therefore, these measures are primarily, for the registered unemployed, to help them regain the employment; they are "active" because they have a greater effect than to pay a "passive unemployment compensation" to replace the lack of income [7, p.62].

Through the possible active measures are included:

- services of mediation/placement (correlation/matching between the supply and demand of labor);

- information services and career counseling;
- information services on the labor market;
- promoting training (including training);
- promoting mobility (geographical) on labor market;
- promoting training in techniques of job search (job club);
- promotion of business development on their own;
- temporary subsidizing of certain disadvantaged groups.

In short term, it is expected that the active measures and labor market services to have a direct impact on the volume of employment (or unemployment levels), so:

- if the unemployed participating at the training courses are not included in statistical calculations as unemployed, the unemployment decreases with the appropriate number of unemployed who started the courses;
- if the unemployed are included in programs subsidized the community work, the employment is increased by that number of people involved in the program.

For medium or longer term, things could be different. Depending on the quality of mediation/placement services, they can continue to have a positive impact on employment, even if this impact is limited. The same might apply in training concerning the techniques for finding a job. Things are quite different if we refer to subsidized employment or professional training.

The professional training does not create additional jobs (except for those working in the training field). The employers will not hire more people just because more skilled workers want a job. They will only employ if the goods or services produced by these workers will bring profit to sales. So, the employers are interested to hire more qualified personnel only if they believe that the lack of skilled workers has already preceded the lost of the opportunities to make profit.

Creating more jobs is not always a realistic goal for the active labor market policies. The main objective should be to use the full potential of the existing volume of employment (within the successes and failures of economic, social and employment limits), mainly by avoiding the lack of suitable labor. A similar objective is to train (or adapt) the supply of labor for the potential development of the employment volume in its internal structure (pointing to increased skills, increased staff turnover, part-time work, etc.).

The **passive** labor market **measures** contain elements of employment policy and elements of labor market policy. Are both micro-policies, with direct impact on individuals' decisions about employment, and macro-policies, such as global contribution to the unemployment fund and the overall unemployment benefit payments, as "automatic stabilizers" of global demand. Therefore, the passive measures affect the volume and structure of employment and unemployment, both directly and indirectly.

In this category of measures are included: contributions to the unemployment fund, various types of unemployment benefits (type insurance or other sources of income verification), subsidies for employment (if the subsidy is not temporary or is not designed to improve the skills/abilities of the individual). Regarding the first two categories, can be made a series of arguments for a better understanding of their operation. Thus, the unemployment fund contributions are like taxes. The money available for private consumption, savings or investments is reduced. The global

demand will be reduced accordingly with the negative consequences on employment volume.

The payment of unemployment benefits works around. People, who lose remuneration by job loss, lose only a fraction of that amount of money. They are forced to sacrifice a part of their monthly consumption. The global demand (and the employment volume) decreases less if the unemployment benefits exist than in the case they do not exist. This insurance is by definition incomplete. No market is perfect, so the market for ensure the employees against the risk of income loss is not an exception.

It is known that many people act without thinking ahead. In other words, as long as they have benefits with a value not much higher than a salary, many unemployed prefer to not participate to any active measures. Therefore, the passive measures have a direct impact on unemployment and on the decisions related to individuals' employment.

## **2. ANALYSIS CONCERNING THE STAGE OF IMPLEMENTING THE EMPLOYMENT PROGRAM OF NATIONAL EMPLOYMENT AGENCY FOR 2010**

For 2010, the National Agency for Employment, through the Employment Program, estimated the employment of 338,000 people, at nationwide.

The 338,000 people and the types of measures financed directly from the unemployment insurance budget are as follows:

- 248,160 people through the mediation program, in which:
  - 182,935 through mediation of employment in vacancies, indefinitely;
  - 65,225 through the mediation of employment in jobs for determined period.
- 36,315 people by providing information and counseling services;
- 14,030 people by organizing training courses;
- 15,585 people by providing benefits for unemployed who falls before unemployment expiration;
- 12,735 people by framing the unemployed over 45 years or the sole providers of single- parent families, by subsidizing the employment;
- 350 people who have 3 years until retirement;
- 2445 people by promoting the labor mobility, including:
  - 1200 through employment in a locality at a distance of 50 km from home;
  - 1245 through employment in another locality with the change of address.
- 10,670 people through the employment of graduates from educational institutions, by subsidizing employment, including:
  - 1525 graduates/junior high schools;
  - 4350 graduates of upper secondary or post-secondary education;
  - 4795 graduates.
- 4800 graduates beneficiaries of employment bonus;
- 210 people, through the employment of persons with disabilities, by subsidizing employment;
- 370 by providing loans to small and medium enterprises to create new jobs;

- 910 by providing consulting and assistance services for starting a self-employment or for starting a business;
- 23,765 people by taking temporary jobs for labor in public interest work;
- 1170 people through contracts of solidarity, based on Law no. 116/2002;
- 110 other active measures.

Following the implementation of the Employment Program for 2010, by the end of this year it was achieved a number of 377,772 people employed, representing 111.77% of what was scheduled for 2010. Approximately 34.53% of the people included in active measures to boost employment (1,093,999) were employed through this program. A summary of the achievements from this perspective will be presented below.

By providing mediation services was achieved the employment of 305,179 people, 122.98% of what was scheduled for 2010, including:

- 207 984 people through mediation of employment in vacancies;
- 97,195 people through mediation of employment in jobs for determined period.

From the 1,074,746 persons included in the mediation of vacancies, 28.40% were employed by this measure.

As a result of granting information and advisory services, it was managed the classification of a number of 64,784 people, representing 178.39% of the 2010 program settings. From 947,560 people covered by the information, counseling and guidance services, 6.84% were employed through this measure until the end of 2010.

By organizing training courses, were within 16 818 people, representing 119.87% of the 2010 program schedule. By the end of the year, from the total employed persons employed using this measure (16.818), 60.63% were women (10 197), 65.51% urban (11 018) and 34.49% from rural areas (5800).

In order to prevent the long-term unemployment and stimulate the unemployed to be employed before the expiry of compensation were awarded grants for a total of 29,019 unemployed (186.20% from the 2010 program), 13,198 being women. From 29,019 unemployed beneficiaries of grants (because they were employed before the period of unemployment), 677 are graduates beneficiaries of unemployment benefits 100%.

By the extent of subsidizing the employers for hire the unemployed who have three years to retirement, were covered 207 persons (59.14%, compared to 2010 program settings).

The geographical mobility stimulation of labor contributed to the employment of 3410 persons (139.47%, compared to 2010 program perspectives).

By subsidizing the employers who hire graduates of educational institutions, was achieved the compliance of 5568 individuals (52.18% from the 2010 program) and the number of graduates' beneficiaries of employment bonus was 3685 (from all the graduates employed by job subsidies and without job subsidies).

The employment of persons with disabilities, by subsidizing employment, covered 218 persons (103.81% from the 2010 program).

The credits for creating jobs through small and medium loans covered 45 people (12.16% compared to the 2010 program settings), with the indication that this result is the effect of those loans offered in the previous years.

Following the consulting and assistance services for starting a self-employment or starting a business, 507 people have initiated such activities (55.71% versus the 2010 program).

Through other active measures undertaken at the county level, was achieved the coverage of 423 people, the funds used to support these active measures being other than from the Unemployment Insurance budget (PHARE, Structural Funds).

Most people were employed using the following active measures:

- mediation services - 7522 persons (319.54%), of which:
  - 5207 people indefinitely;
  - 2315 people per period;
- information and advice services - 792 persons (309.38%);
- organizing training courses - 69 people (116.95%);
- providing benefits for unemployed who employee before unemployment expiration - 104 persons (212.24%);
- the unemployed over 45 years' hiring or the sole providers of single-parent families - 302 people (479.37%);
- the hire of the unemployed persons who have three years until retirement - 3 persons;
- employment by stimulating labor mobility - 76 persons (1520.00%), of which:
  - 22 persons in a locality at a distance of 50 km from home;
  - 54 persons in another locality with the change of address;
- the hire of educational institutions graduates, by subsidizing employment - 25 people (43.10%);
- graduates receiving employment bonus - 17 persons (283.33%);
- temporary employment of labor in public works of interest - 699 persons (64.42%);
- solidarity contracts, under Law no. 116/2002 - 122 persons (187.69%).

Next, will be realized a hierarchy of Romania's regions, according to the number of persons entered in active measures to stimulate employment in 2010, using the data provided by the National Employment Agency, on 31 December 2010 for each county separately. Thus, we can see which regions have successfully implemented measures to increase the employment in the previous year.

First, was distributed each county in its region of origin, so can be formed the regions; then was calculated the average of this indicator for each region. For processing, it was used SPSS 13.0. The result is shown in Table. 1



Table 1 Average number of persons entered in active measures to stimulate the employment

**Statistics**

Total person entered in active measures to stimulate the employment

NORTH-EAST Region	N	Valid	6
	Mean		26830,67
SOUTH-EAST Region	N	Valid	6
	Mean		22011,50
SOUTH-MUNTENIA Region	N	Valid	7
	Mean		22430,29
SOUTH-WEST OLTENIA Region	N	Valid	5
	Mean		30546,80
WEST Region	N	Valid	4
	Mean		32860,00
NORTH-WEST Region	N	Valid	6
	Mean		20113,17
CENTER Region	N	Valid	6
	Mean		32253,00
BUCHAREST-ILFOV Region	N	Valid	2
	Mean		22781,50

The table 1 presents the average number of persons entered in active measures, from each Romanian region.

Table 2 Romanian regions' ranking, according to the average number of persons entered in active measures to stimulate the employment

<i>Position</i>	<i>Region</i>	<i>Average number of persons entered in active measures to stimulate the employment</i>
1	WEST	32860
2	CENTER	32253
3	SOUTH-WEST OLTENIA	30546,8
4	NORTH-EAST	26830,7
5	BUCHAREST-ILFOV	22781,5
6	SOUTH-MUNTENIA	22430,3
7	SOUTH-EAST	22011,5
8	NORTH-WEST	20113,2

On average, most people who have benefited from the active measures contained in the Employment Program in 2010 were form the West region. The persons' involved average is 32 860.

The next table presents the situation of Employment Program' implementation, at the end of 2010, by various categories of people and by regions, according to four categories of ages: under 25, between 25 and 35, between 35 and 45 and over 45.

Table 3 Situation of implementing the Program of Employment, according to National Employment Agency, for various categories of persons

**Statistics**

Region		Under 25	Between 25-35	Between 35-45	Over 45
NORTH-EAST	N	6	6	6	6
	Mean	2018,0000	2729,5000	3120,3333	2955,3333
SOUTH-EAST	N	6	6	6	6
	Mean	877,5000	1554,6667	2070,3333	2177,5000
SOUTH-MUNTENIA	N	7	7	7	7
	Mean	1307,7143	1951,7143	2472,2857	2104,2857
SOUTH-WEST OLTENIA	N	5	5	5	5
	Mean	1632,8000	2494,6000	2657,6000	2200,6000
WEST	N	4	4	4	4
	Mean	3065,2500	3537,2500	3611,0000	2765,2500
NORTH-WEST	N	6	6	6	6
	Mean	1447,3333	1842,1667	2170,5000	1981,8333
CENTER	N	6	6	6	6
	Mean	1476,6667	1979,5000	2315,5000	2259,5000
BUCHAREST-ILFOV	N	2	2	2	2
	Mean	2201,5000	3886,5000	4027,5000	3994,5000

The Employment Program, for each region, covered the next categories of persons:

- in the North-East region, the most persons who were covered by this program have the age between 35-45;
- in the South- East region, the higher number of the persons who benefited by the active measures from the Employment Program is attributed to those over 45 years;
- in the South- Muntenia region, the maxim value of those involved in program is for the group of people between 35-45;
- concerning the South-West Oltenia region, the most beneficiaires of the measures form the program are the people between 35- 45 years;
- the West region covers a majority number of beneficiires form the same categorie of age: 35-45 years, like the North-West, Center and Bucharest-Ilfov regions.

Table 4 Romanian regions' ranking, according to categories of ages of the persons entered in active measures

<i>Position</i>	<i>Average number of persons under 25 (Region)</i>	<i>Average number of persons between 25-35 (Region)</i>	<i>Average number of persons between 35-45 (Region)</i>	<i>Average number of persons over 45 (Region)</i>
1	WEST	BUCHAREST-ILFOV	BUCHAREST - ILFOV	BUCHAREST - ILFOV
2	BUCHAREST - ILFOV	WEST	WEST	NORTH-EAST
3	NORTH-EAST	NORTH-EAST	NORTH-EAST	WEST
4	SOUTH-WEST	SOUTH-WEST	SOUTH-WEST	CENTER
5	OLTENIA	OLTENIA	OLTENIA	SOUTH-WEST
6	CENTER	CENTER	SOUTH-MUNTENIA	OLTENIA
7	NORTH-WEST	SOUTH-MUNTENIA	CENTER	SOUTH-EAST
8	SOUTH-MUNTENIA	NORTH-WEST	NORTH-WEST	SOUTH-MUNTENIA
8	SOUTH-EAST	SOUTH-EAST	SOUTH-EAST	NORTH-WEST

The 4<sup>th</sup> table indicates the each region's position, according to those categories of ages taken into account for the persons entered in active measures. The first position for the persons under 25 years is attributed to West region, for the persons with the age between 25- 35 years, the most actions were applied in Bucharest-Ilfov region and for those between 35- 45 years and over 45, the situation is simillaire to the previous one.

### 3. CONCLUSIONS

Any employment strategy has a triple dimension: national (macro), regional (local) and at company level; at each of these levels it operates with the instrument more or less own, but all in accordance with the market economy mechanisms.

The main objective of any strategy or measure for employment is creating the conditions for exercise of a fundamental right and also, a constitutional one: the right to work.

It is important to promote the active measures aimed at stimulating the employment in Romania, for making the unemployed more attractive to employers and for encouraging them to undertake the appropriate actions for finding the right job.

### Acknowledgements

*This work was supported by the European Social Fund in Romania, under the responsibility of the Managing Authority for the Sectoral Operational Programme for Human Resources Development 2007-2013 [grant POSDRU/88/1.5/S/47646]*

## References

- [1] Barbieri, Paolo, *Atypical employment and welfare regimes*, Equalsoc, Policy Paper vol.1, 2007
- [2] Bocean, Claudiu, George, *Echilibre și dezechilibre pe piața muncii din România. Managementul pieței muncii*, Universitaria, Craiova, 2007
- [3] Dobre, Mihaela, Ailenei, Dorel, *Motivații comportamentelor ale discriminării de gen pe piața forței de muncă din România*, Economie teoretică și aplicată, Vol. XVII (2010), No. 12(553), [http://store.ectap.ro/articole/539\\_ro.pdf](http://store.ectap.ro/articole/539_ro.pdf)
- [4] Ires, *Le marché de travail en Europe*, La Decouverte, Paris, 2000
- [5] Jaba, Elisabeta, *Analiza statistică cu SPSS sub Windows*, Polirom, Iasi, 2004
- [6] Oprescu, Gheorghe, *Piața muncii*, Expert, Bucharest, 2001
- [7] Panțiru, Anca, Manu, Dana, Maria, Ion, Ioana, *Măsuri active pentru combaterea șomajului-experiența europeană*, Lucrările celei de-a II a Conferințe Internaționale PAEM, All, Bucharest, 1997
- [8] Preda, Marian, *Riscuri și inechități sociale în România*, Polirom, Bucharest, 2009
- [9] Romanescu, Laurențiu, Marcel, Romanescu, Octavian, George, *Piața forței de muncă din România*, Măiastra, Târgu Jiu, 2007
- [10] Sârbovan, Marina, *Piața muncii. Politici de ocupare în România*, Orion, Bucharest, 1997
- [11] Stanciu, Ștefan, *Managementul Resurselor Umane*, SNSPA- Facultatea de Comunicare și Relații Publice, Bucharest, 2001
- [12] <http://www.anofm.ro/>