China-CEE Institute
中国—中东欧研究院

ISSN: 2560-1601

Vol. 5, No. 3 (RO)

March 2018

Weekly Briefing

Romania Social briefing:
Social Developments in Romania

Oana Cristina Popovici

China-CEE Institute

Kiadó: Kína-KKE Intézet Nonprofit Kft.
Szerkesztésért felelős személy: Chen Xin
Kiadásért felelős személy: Huang Ping

1052 Budapest Petőfi Sándor utca 11.
+36 1 5858 690
office@china-cee.eu
china-cee.eu

No special events affected the social development of Romania in the last period; still, the effects of the policies (or the lack of policies) in several important areas could be tracked and are signalling the deterioration of some domains, having the potential to worsen if measures are not taken rapidly. The educational system, underfinanced, lacks the efficiency to train students for the labour market and still generates high rates of school dropout. A still unaware pressure for the labour market is the emigration of the population, with a share that is the second largest in the whole world, after the one in Syria. The explanation for such a situation is not so difficult to find, as the expected increases of wages and salaries are already dissipated by the rise in inflation and the development gap between the regions in Romania continues to go up.

Poor results in developing the educational system

The country report for Romania, developed by the European Commission last week, draws the attention to a vulnerability of the Romania's social development: the education system. The poor performance of the education system limits long-term growth opportunities.

The main factors contributing to the failure of the education system and the dissipation of the potential qualified human capital are related to the poor amounts of money allocated to the system, the quality of the educational act, weak digital competencies, high rates of the school dropout, inequalities in the rural and the urban areas, the incapacity of integrating the Roma population. Under these circumstances, there is a medium-term risk of not being able to provide the labour force ready for covering the needs of an economy faced with global competition.

Romania established that will reach a target of 26.7% graduates with higher education of total population until 2020, but until now, the average reaches 25.6% in 2016. While the region Bucharest-Ilfov scores the highest, one of the regions barely reaches 16.3% in 2016, registering the lowest share of persons aged between 30-34 years that graduated from higher education. The recovery of the gap is difficult and the adaptation to the labour market requirements is also hampered by the lack of a well-developed system of vocational education.

The other indicator related to the educational system that is monitored under the Europe 2020 strategy is related to the early leavers from education. Romania was the third country with the higher rates of school dropout, of 18.5% in 2016, after Malta and Spain. In fact, among the 17 regions in the EU with large dropout rates, three are found in Romania; in these cases, at least one person in five aged 18 to 24 left school without passing the secondary education level.

According to the law, the education system should be financed with a volume amounting to 6% of GDP, but reaching this target proved to be difficult for Romania in the last years. According to data published by Eurostat, Romania was in 2016 on the third place among the EU states with the lowest amounts allocated for health and education, as percentage of GDP. While the healthcare received 4% of GDP, as compared to the EU average of 7.1%, education received 3.7% of GDP; in this case, the EU average amount to 4.7% of GDP. According to some economists, the chronic underfinancing of education in Romania and the low quality of investments in this field generate a loss of seven billion euros in GDP, annually.

Romania has the world second largest share of population that emigrate

A concerning report of the United Nations Organizations points that 3.4 million Romanians emigrate from the country in the last 10 years, from 2007 to 2017. This is equivalent with 17% of the total population, which is the second largest share in the world after Syria. The data indicate that Romania faces the worst demographic crisis, given that the trend is even more concerning when it comes to Romanians settling forever abroad.

The number of the population leaving the country is only a part of the problem; the other part is that qualified population and persons with higher studies started also to be involved in this process of migration in the last period. The profile of the emigrant changed. The largest increases in the leavings are for the persons aged between 25-30 years as compared to the situation before the economic crisis. At the same time, more and more persons over 45 years old are emigrating, and the emigration phenomenon is more extensive for the elderly, a proof that Romanians who have settled outside the country are starting to bring their parents along.

Under these circumstances, the labour markets started to confront with a crisis of the specialists. Overall, the employers reported an average of 59,800 vacancies in 2016, with 9,800 more than in the previous year. The public sector has the largest demand for the labour force, with a third of the total vacancies. The main needs are in the public administration, healthcare and social assistance and education. On the second place with the largest need for employees is the manufacturing industry, with a quarter of the total vacancies. The highest workforce demanded was for specialists in various fields, while the most significant increases in demand as compared to the last year were recorded for specialists and for skilled and assimilated workers (machine operators, machine and equipment assemblers). Romania’s problem in providing these type of labour force is double: their emigration to other countries and the lack of a vocational education system to prepare them for such jobs.

Romania confronts with a shortage of the labour force with a huge negative impact on the economic development in the following years, especially that the number of foreigners outside the EU that choose Romania is quite small. There are several difficulties faced by the foreigners when locating in Romania: the language barriers, the limit of the average salary for the migrant workers, the poor registration to the institutions with labour attributions. Therefore, the same report states that until last year, under 120,000 immigrants settled in Romania. This issue of the labour market is accentuated by the increases of the costs in the national economy related to the wages. The advance of the salaries in the public sectors (as explained below) puts further pressure on the macroeconomic balances, and are enhanced by the migration of people in the productive sectors.

The problem is that, until now, Romania does not have neither an assessment of the labour market deficit, nor a systematic approach related to immigration in order to attract workforce and to counteract the negative implications of the aging population.

The increases of the wages are countered by the rises in inflation

The first effects of the fiscal revolution that led to the change of the contributions from the employer to the employee and of the increasing inflation are started to be seen in the level of the wages, once with the apparition of the statistical data. While the gross average earning for January could not be compared to the amount received in the previous month due to the fiscal changes, the real wage decrease by 12 percentage points in January as compared to December. One of the explanations is that, in December, there are several bonuses that are received by the employees with the occasion of the holidays, situation that is not repeated for the activity carried out in the first month of the year. But besides this, the net average earning in January has an almost similar value with the one in November 2017, pointing that the increase in the purchasing power compared to the same month of the previous year actually disappeared. The situation is expected to worsen, as the inflation will continue to increase to over 5%, according to the official estimations, and will severely affect the wage increases granted without a solid foundation related to the increasing labour productivity.

The largest percentage increases in the national wages were recorded in public administration, which saw a raise by 18.4% in real terms. The increases of wages in construction and in the hospitality industry, among the largest ones in the economic sectors, are explained by the entering into force of the new level for the minimum wage, which represents the amount of money usually received in these sectors. Manufacturing and transport are the only areas where purchasing power increases appear justified in relation to the 2017 economic outcome. Education and healthcare registered, in January 2017, increases below the average wage growth in the economy. The most affected sectors by the inflation were those of IT, trade, financial intermediation and insurances, whose purchasing power decreased as compared to the same month of the previous year.

Regional inequalities continue to deepen

The latest data published by Eurostat indicate that the living standard in the Bucharest-Ilfov region was 139% of the EU average in 2016, according to GDP per capita at the purchasing power parity standard (adjusted to the national price level), surpassing some important European metropolitan areas, such as Madrid (125%), Berlin (118%), Rome (110%) or Lisbon (102%). The new rankings are also influenced by a recalculation of the prices in Romania at a level of 50.7% of the European average, which influences the purchasing power parity. Under these circumstances, Romania has only three regions (out of eight) in the top of the poorest regions in Europe, as compared to five regions in the ranking two years ago.

The opposite of this good news is the increasing gap between the country's richest and poorest areas, especially between the capital and the rest of the country. Generally, the regions with better advancement in the direction of convergence managed to create or to capitalize on infrastructure projects.