

ROMANIAN EMPLOYMENT IN THE URBAN AND RURAL AREAS

Abstract

This paper highlights some peculiarities of labour market in the urban and rural areas, both at national level and at the level of the eight development regions of Romania. Moreover, the paper underlines the implications of the regions' degree of urbanisation on employment and economic development. We consider that for reducing the economic and social gaps recorded in Romania, between the urban and rural areas, it is necessary to consolidate the urban-rural relationships, so as to have a structural and qualitative improvement of employment.

Keywords: rural and urban employment, development regions, degree of urbanisation, economic development.

JEL CODES: E24, J21, R23

OCUPAREA FORȚEI DE MUNCĂ DIN ROMÂNIA ÎN MEDIUL URBAN ȘI RURAL

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Rezumat

Această lucrare evidențiază câteva particularități ale pieței forței de muncă din mediul urban și rural, atât la nivel național cât și la nivelul celor opt regiuni de dezvoltare din România. De asemenea, lucrarea surprinde implicațiile gradului de urbanizare a regiunilor asupra ocupării și dezvoltării economice. Considerăm că pentru reducerea decalajelor economice și sociale, dintre mediul urban și rural, înregistrate în România, se impune consolidarea legăturilor urban-rural, astfel încât să aibă loc îmbunătățirea structurală și calitativă a ocupării.

Cuvinte cheie: ocupare rurală și urbană, regiuni de dezvoltare, grad de urbanizare, dezvoltare economică.



1. INTRODUCTION

Employment, the basis of the existence and functioning of the labour market, its hard core (Pert et al, 2002), is considered in the economic literature both a factor and an objective of economic development. Employment is the key that unlocks the door of economic and social development (Jinchang, 1998).

Increasing the level of economic development and reducing the economic gaps between countries, as well as those between regions within a country, cannot be achieved without improving employment, in the rural area as well as in the urban one. According to the quantity, quality and structure of employment in the urban and rural areas a series of defining features for the national economy can be identified, among which the level of socio-economic development and the level of efficiency in using the human resource.

In general, studies highlight that rural areas tend to show a weaker economic performance (EC, 2008), to lag behind urban areas in terms of GDP/capita, labour productivity, education level of population, employment in services (OECD, 2006). Rural weakness is driven by a number of factors that can interact to generate what has been called the „circle of decline” for rural areas (OECD, 2006). The circle starts with low population density, which is a fundamental feature characterising rural areas as opposed to non-rural ones. This element generates a lack of critical mass for services and infrastructure, which in turn determines a lower rate of business creation and fewer jobs. These labour market weaknesses originate out-migration flows, which, combined with population ageing, further reduce population density, thus closing the "circle of decline" (EC, 2008).

This paper highlights the peculiarities of the Romanian labour market in rural and urban areas and the existing gaps between the eight development regions in Romania. Moreover, it underlines the implications of the degree of ruralisation, urbanization respectively, of the regions on the employment and economic development.

2. TENDENCIES OF THE RURAL AND URBAN LABOUR MARKET IN ROMANIA

In highlighting the tendencies recorded by the Romanian labour market in rural and urban areas, we have to take into consideration the following specific indicators: active population, employed population, number of unemployed, number of employees etc.

The labour force supply statistically highlighted by the economically active population indicator (active persons) comprises all persons aged 15 years and above, providing available labour force for the

production of goods and services; it includes employed population and ILO unemployed (NIS, 2011a). In Romania, the labour force supply in the rural area, records a pronounced decreasing trend, between 2002 and 2010, from 4891 thousand people to 4427 thousand people (figure 1). During the same period, the active population in the urban area increased from 5188 thousand people to 5032 thousand people.

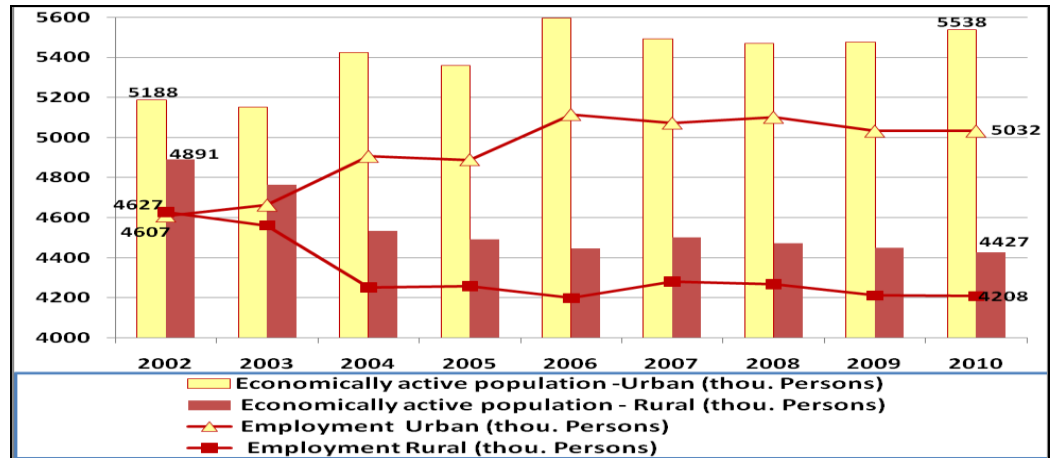


FIGURE 1 - POPULATION BY PARTICIPATION IN ECONOMIC ACTIVITY IN RURAL AND URBAN AREA, IN ROMANIA
 Source: Our processing based on data provided by NIS (2011a) and NIS (2011b)

The explanation of the evolution of the labour market supply is, on the one hand, the evolution of the two components of the economically active population, of employment and unemployment respectively, and on the other hand, the evolution of the total population.

As for the tendencies recorded by total population, as basis of Romanian labour resources, by area, data in figure 2a reflect the existence of a higher share of population in the urban area compared to the one in the rural area, and slightly increasing, in the 1990-2010 period. According to the definition of ruralisation, as given in the national legislation, the rural areas cover 87.1% of Romania's territory [GR, 2012], accounting for 44.9% of the population (NIS, 2011b), 9,672 million inhabitants respectively. Considering this dimension and the economic characteristics of the rural area, which deviate very much from the EU average values, rural development is a major economic and social development issue (Herman, 2011).

At the international level, according to population density, the percentage of population living in rural area and the size of the urban centres, the OECD (2006) has established a regional typology according to which regions have been classified as predominantly urban, predominantly rural and intermediate (CE, 2010). In Romania, in 2011, 45.6% of total population lived in predominantly rural regions, 43.8% in intermediate regions and only 10.6% in predominantly urban regions. These data reflect the existence

of a low degree of urbanization in Romania, fact that indicates that Romania has remained a country with a profound rural character.

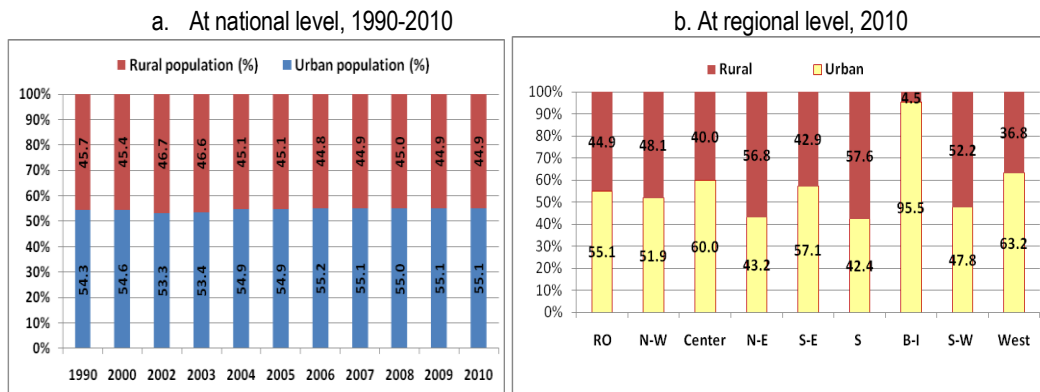


FIGURE 2 -TOTAL POPULATION IN RURAL AND URBAN (% IN TOTAL POPULATION)
Source: Our processing based on data provided by NIS (2011a) and NIS (2011b)

If we look inside Romania, we observe significant differences in the rural and urban population between the eight development regions: North-West (N-W), Center, North-East (N-E), South-East (S-E), South Muntenia (S), Bucharest–Ilfov (B-I), South-West Oltenia (S-W), West. Analysing the data at regional level (figure 2b), we notice that the regions that are characterized by the highest shares of rural population (over 50%) are South-Muntenia, North-East and South-West Oltenia, the decreasing trend in the last two decades being highlighted also here. Due to the peculiarities, the Bucharest-Ilfov region records the lowest level of ruralisation, being followed by the West and Centre regions.

The other side of the labour market, the labour force demand, is statistically expressed by employed population and includes, according to the methodology of "Household labour force survey" all persons aged 15 years and above, who carried out an economic activity producing goods or services of at least one hour¹) during the reference period (one week) in order to get income as salaries, payment in kind or other benefits (NIS, 2011b). In Romania, in the rural area between 2002 and 2010, the employed population decreased by 419 thousand people (figure 1). Unlike rural employment, in the urban area employment has recorded a growth of 425 thousand people, fact which highlights that the economic growth in this period generated jobs, especially in the non-agricultural and urban sectors of economy. The tendencies recorded by the labour force demand in the urban area as well as in the rural one, are the result of the relationships that are set among a series of economic variables such as the rhythm of economic growth, labour productivity, the cost of the labour force, the demand for goods and services, etc.

The difference between active population and employment is made by the number of unemployed people, which has had a fluctuating evolution, but with a decreasing trend, both in the rural and urban

area. It is noticed that in the urban area the number of unemployed people is much higher, almost double than the value recorded in the rural area. For example, in 2010, the number of the unemployed people was of 506 thousand in the urban area and 219 thousand in the rural one (NIS, 2011b).

The rural area can often present the phenomenon of hidden unemployment and/or underemployment, notably in the less economically developed areas (EC, 2008). This happens when other working opportunities are absent and it is possible to work within the family farm, with low or very low productivity, where the agricultural sector is large, along with a large presence of self-employment in farms, and traditional services (small businesses), are often small or very small. The presence of these phenomena causes an overestimation of employment in the rural area (Herman, 2011).

Statistical data confirm that in Romania we are witness to an increased urbanization of the active population, the employed population and unemployment, but insufficient in relation to EU. According to statistical data provided by Eurostat (figure 3a), although a growth tendency of the employed population was recorded in the predominantly urban regions, in Romania, in 2010, only 11.9% of the employed population was located in predominantly urban regions.

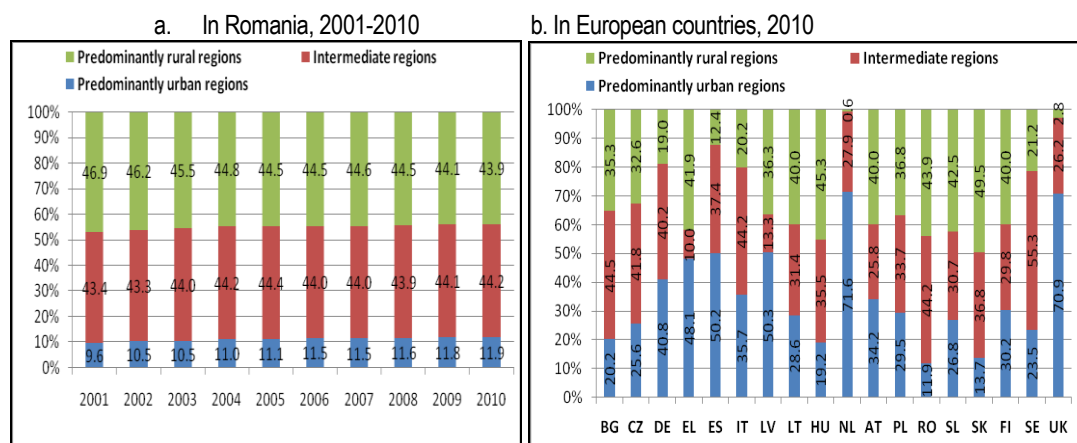


FIGURE 3 - EMPLOYMENT BY DEGREE OF URBANISATION (% IN TOTAL EMPLOYMENT) IN 2010
 Source: Our processing based on data provided by Eurostat <http://appsso.eurostat.ec.europa.eu/>

Furthermore, we notice that 43.9% of total employed population is found in predominantly rural regions and 44.2% in intermediate area. Compared to the member states of the EU, the lowest urbanization degree of employment is recorded in Romania, and the highest degree of ruralisation implicitly, there being significant gaps between these countries (figure 3b).

Between 2002 and 2010, the derived indicators of the rural labour market, i.e. the activity and the employment rate in the rural area, record higher values compared to the rate recorded at national level, and also compared to the one in the urban area. Based on the demographic ageing in the rural area and the attractiveness of the labour market in the urban area, both rates have a descending trajectory.

On the other hand, in the urban area, the activity rate as well as the employment one records significant increases (figure 4). The result of a higher employment rate in the rural area compared to the one recorded in the urban area, consists in a lower rate of rural unemployment (5.0% in 2010) than the urban one (9.1% in 2010).

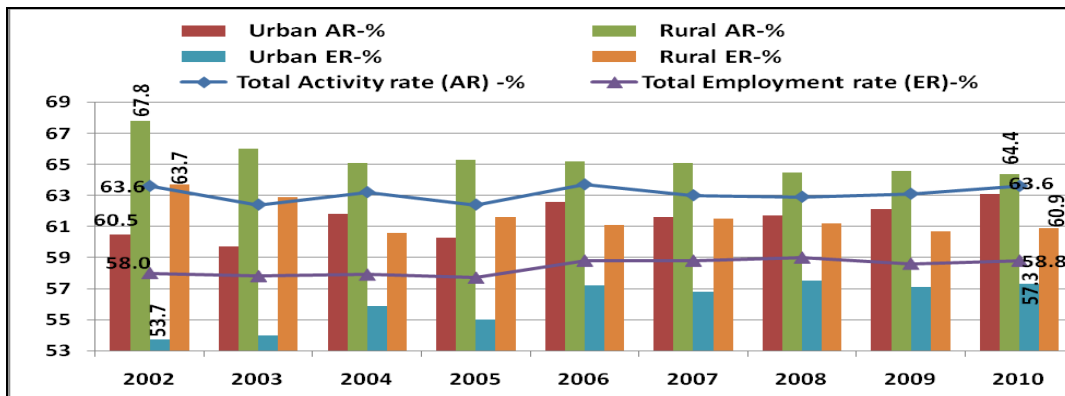


FIGURE 4 - ACTIVITY AND EMPLOYMENT RATE IN RURAL AND URBAN AREA, IN ROMANIA, 2002-2010
Source: Our processing based on data provided by NIS (2011a) and NIS (2011b)

An important characteristic of the human resource, which influences the positioning of the individuals on the labour market and the level of financial resources obtained by performing an economic-social activity useful to society, is the level of education graduated. Statistical data for 2010 reflect a very different distribution on areas of population according to the level of education (figure 5). Thus, according to (NIS, 2011c), in the urban area, the share of persons with higher education is higher than in the rural area (17.2% compared to 2.4%), whereas persons with a primary level of education are to be found in a larger proportion in the rural area (18.8% compared to 4.2% in the urban area).

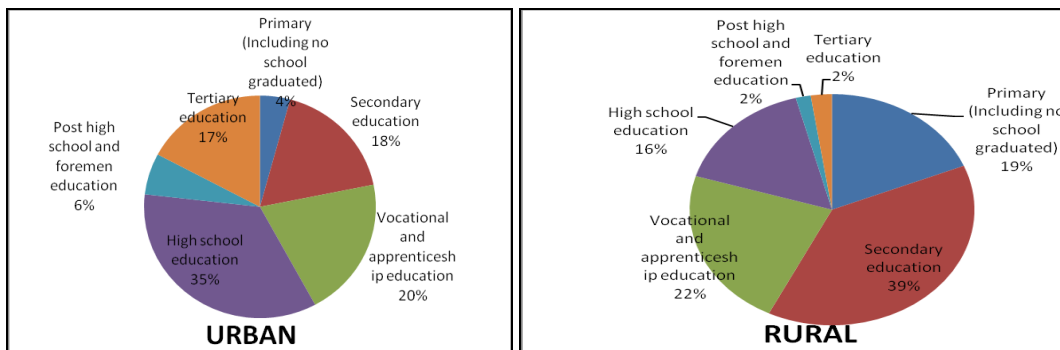


FIGURE 5 - POPULATION AGED 15 YEARS AND ABOVE, BY LEVEL OF EDUCATION, BY AREA, IN 2010
Source: Our processing based on data provided by NIS (2011c)

A major benefit of education is the lower risk of unemployment at higher education level. Workers with higher educational attainment are unemployed less and earn more than the ones with lower educational attainment (Teichler, 2000).

3. RELATIONSHIP BETWEEN DEGREE OF URBANISATION, ECONOMIC DEVELOPMENT AND EMPLOYMENT AT REGIONAL LEVEL

Romania, as any other country, has disparities between the levels of economic and social development of the different areas of the country. The reason for this is that, until 1989, the industrial activity was concentrated only in some country regions, where the mineral and energetic resources were, the economy of the other regions being dominated by agricultural activities (NIS, 2009). In the transition period, the deepening of the territorial disparities of development between different parts of the country continued, the market mechanisms and relationships being affirmed in relation to their advantages and disadvantages. The existence of the disproportions of territorial socio-economic development was determined by objective and subjective causes, by natural and circumstantial factors.

The economic theory and practice claims that there are disparities between regions and they are mainly notable between the urbanized and rural regions. The most evident performances related to the economic development and the elimination of discrepancies are obvious in the case of the regions with a high degree of urbanisation, there being a direct relationship between the level of socio-economic development and the degree of urbanisation of a region (NIS, 2009). On the other hand, an inverse relationship is highlighted between the degree of ruralisation and the socio-economic development.

In order to appreciate the level of development of the eight development regions in Romania, and to underline the gaps between regions, we shall analyse the following indicators: GDP/capita, the level of labour productivity (GDP/employed population), professional status of employment and sectoral structure of employment.

The statistical data on the eight development regions of Romania show that in regions where the degree of urbanization is the highest (resulted by the share of urban population in total population), there is also the highest degree of economic development. The most developed region is Bucharest-Ifov (GDP/capita=13648 euro), with the highest degree of urbanization, and the most underdeveloped areas are the border ones North East (GDP/capita=3358 euro), and those along the Danube (South Muntenia-5017 euro/capita and SW Oltenia-4232 euro/capita), characterized by a reduced degree of urbanization. In Romania, in 2010, from the statistical analysis at regional level (figure 6), carried out based on the Spearman correlation coefficient, between economic development (GDP/capita) and the degree of

urbanization, there is a very strong, positive correlation (the value of the Spearman correlation coefficient=+0.783).

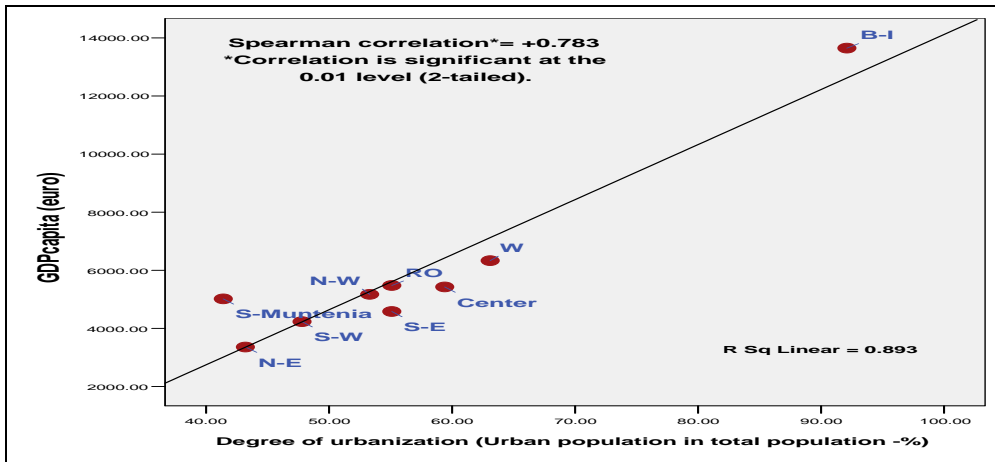


FIGURE 6 - DIRECT CORRELATION BETWEEN DEGREE OF URBANISATION AND ECONOMIC DEVELOPMENT, AT REGIONAL LEVEL, 2010
Source: Own calculations based on data provided by NIS (2011c) and NCP (2011)

More reduced economic performance, in the regions with a lower degree of urbanisation, is generally explained by lower average labour productivity, determined by specialisation in lower value added sectors (e.g. agriculture versus industry or services); a less educated workforce; a lower percentage of the region's population in the labour force; a higher unemployment rate; a greater percentage of older persons; a higher rate of commuters employed in other regions (OECD, 2006).

Statistical data at the level of the eight development regions presented in figure 7 confirm the direct relationship between labour productivity and degree of urbanization (Spearman correlation coefficient is of +0.817), fact which highlights the necessity to increase labour productivity in order to reduce the gaps between the eight development regions in the country.

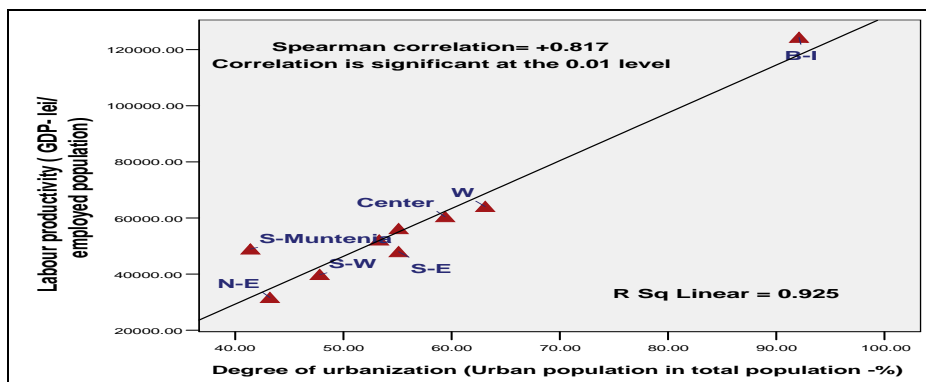


FIGURE 7 - DIRECT CORRELATION BETWEEN DEGREE OF URBANISATION AND LABOUR PRODUCTIVITY, AT REGIONAL LEVEL, 2010
Source: Own calculations based on data provided by NIS (2011c) and NCP (2011)

The efficiency of using the labour force and implicitly economic development depends on the quantity and quality of employment. The fact that, in Romania, the employment rate in the rural area is superior to the one in the urban area, but the regions with a higher ruralisation degree record a lower level of development, imposes the necessity of taking some measures to increase the quality of employment.

At regional level, in 2010, employment by activity sectors reflected significant differences (figure 8) in the three regions where the degree of ruralisation was over 50%, an employment in agriculture much over the average recorded at national level was registered (North East – 49.1%; South- West Oltenia 47.6%; South-Muntenia 34%). On the other hand, in the regions characterized by a higher degree of urbanization, jobs in the services sector predominate.

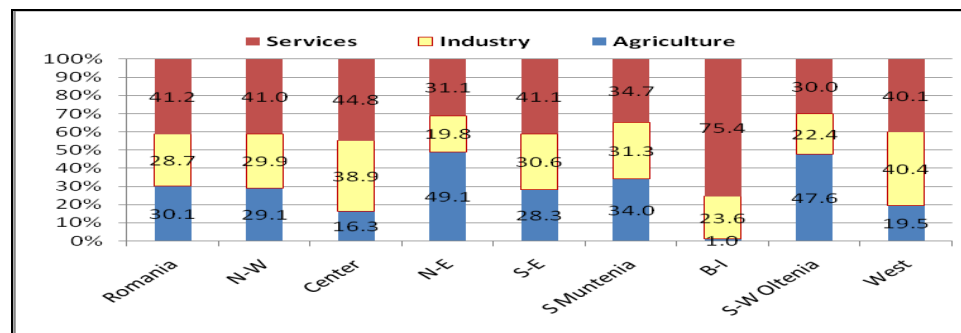


FIGURE 8 - EMPLOYMENT BY SECTORS, AT REGIONAL LEVEL, IN 2010
 Source: Our processing based on data provided by NIS (2011b)

The results of the economic-statistical analysis presented in figure 9 reflect, on the one hand, the existence of a direct relationship between the degree of urbanization of a region and employment in services, and on the other hand, the existence of a negative relationship between the degree of urbanization and employment in agriculture. At the same time, we can state that the high employment in agriculture, under the circumstances of a low labour productivity, did not assure a high level of economic development.

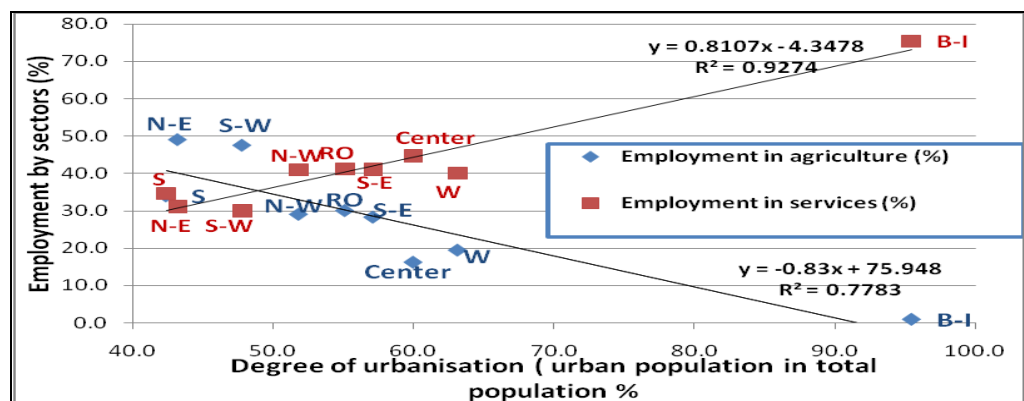


FIGURE 9 - CORRELATION BETWEEN DEGREE OF URBANIZATION AND EMPLOYMENT BY SECTORS, 2010
 Source: Own calculations based on data provided by NIS (2011b)

The high share of the employed population in agriculture, in Romania, explains the existence of a higher share of farmers and skilled workers in agriculture, forestry and fishery in total employment. In 2010, according to data from (NIS, 2011b), 24.3% (2241.9 thousand people respectively) of the total of 9243 thousand people had this occupation, of which 94.9% (2129.8 thousand people) lived in the rural area. The fact that the majority of the workers in the rural area work in agriculture, and the predominant occupation is that of farmers and skilled workers in agriculture, forestry and fishery (over 50% of the jobs in the rural area), creates the conditions for self-employment to the detriment of salaried work.

In order to characterize the state and the tendencies recorded in the labour market, by area, employees are extremely important. They constitute a very important segment of the labour market, a segment where the supply is really confronted with the demand for salary-earning jobs. The statistical data presented in figure 10 indicate us that while in the urban area 90.6% of the employed population are salaried; in the rural area, only 35.7% has this status. The highest differences between the salaried work in the urban area and the one in the rural area emerge in the regions with a higher degree of ruralisation (South West Oltenia, North East). Moreover, there are gaps between regions as far as salaried work is concerned in the rural area (figure 10): in the South West Oltenia and North East regions, a share of the employed population under 25% is recorded, and in the regions Bucharest-Ilfov, Center and West over 50%. In the regions where salaried work is reduced, a high share of self-employment and contributing family worker is noticed and vice versa.

The tendencies registered in employment, in the rural and urban areas, are major guides that can explain some tendencies in other social spheres of interest, such as the evolution of the income levels and structures, the demand, the access to certain social services, etc. Furthermore, they can explain the level of economic development of a country or a region (Herman, 2010).

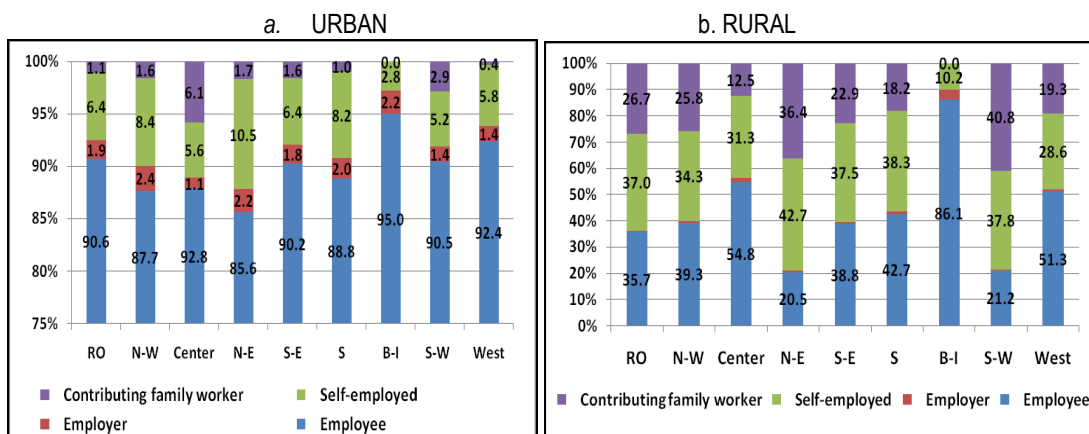


FIGURE 10 - EMPLOYMENT STRUCTURE, BY STATUS IN EMPLOYMENT, IN 2010 (%)
Source: Our processing based on data provided by NIS (2011b)

Taking into consideration that in Romania the majority of the employed population in the rural area works in agriculture, and that of the total employed population in agriculture, in the rural area, 53.2% are self-employed, 42.7% are contributing family workers, and only 4.9% are employees, we can state that in Romania agriculture has an important role for assuring income, by self-employment, while the diversification of activities in the rural area still remains a problem.

Reaching the objective—improving the quality of life in rural areas and encouraging diversification of rural economic activity, stated in The National Rural Development Programme 2007-2013 [GR, 2011] aims at managing and facilitating the transition of the labour force from the agricultural sector towards other sectors that assure a corresponding living standard from a social and economic point of view.

4. CONCLUSIONS

The main findings of the paper suggest the existence, both at national and regional level, of some significant differences between the rural area and the urban one in terms of the specific indicators, labour market and economic development. The fact that in Romania, the employment and activity rate in the rural area are high compared to the urban one, and the unemployment rate is lower, does not necessarily reflect an employment that assures economic development. Employment in the rural area is characterized by predominant employment in agriculture, a very low rate of salaried work, with a reduced level of labour productivity and income, etc.

Assuring conditions for increasing economic development and reducing gaps between the urban and rural areas, at national as well as regional level, requires an integrated approach that, on the one hand, provides rural population with access to urban opportunities such as urban markets for rural products, urban services for rural population, and urban employment opportunities for rural population. On the other hand, it is necessary to modify urban structures such as jobs and good markets, and service provision and delivery to accommodate the specific needs of the rural population (UN, 2005).

In Romania, The Regional Operational Programme 2007 - 2013 (G.R., 2007) aims to support an economic, social, territorially balanced and sustainable development of Romania's regions, by concentrating on the urban growth poles, improving the conditions of infrastructure and business environment. These are meant to turn Romania's regions, especially those lagging behind, into more attractive places to live in, to visit, to invest and work in.

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