

FLEXICURITY BETWEEN THEORY AND PRACTICE IN THE ROMANIAN ECONOMY

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ABSTRACT: *Addressing the employment issue in Romania raises interest by its importance in the country's economy. The concept of "flexicurity", created relatively recently, and the connections between it and the employment issue and the labour market represents the subject of this paper. The degree of implementation of the flexicurity principles to the Romanian realities can be highlighted by the analysis of the main indicators characterizing it. This way it is demonstrated if there are differences between the values obtained in Romania and those registered in the European Union.*

KEY WORDS: *employment; flexicurity; unemployment; labour market.*

JEL CLASSIFICATION: *E20; E24.*

1. INTRODUCTION

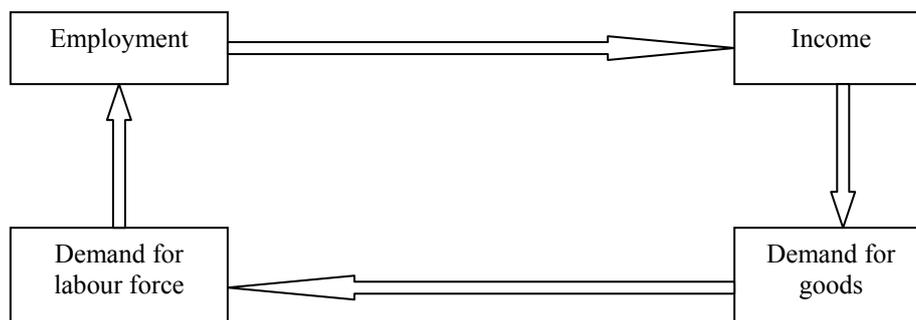
The economy has undergone in the recent years some powerful transformations, but foreseeable in the evolution of the business cycles. There have been voices who presented the end of the capitalist era and its replacement with another form of organization and functioning of the economy still unknown, but which can be shaped in this period, because capitalism has shown its limits. There have been economists who argued that the current crisis does nothing else but strengthen capitalism and determine the improvement of its organization and operating way (Soros, 2007).

The challenges brought by the economic-financial crisis are multiple, both internationally and nationally. Overcoming the crisis by adopting the best decisions is a requirement of the present, but a requirement which should take into account both the

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economic aspect and the human one. We believe that moving towards a new stage of development should be focused on the individual, viewed as an economic actor.

Emphasizing the importance given to people is based on the role of employment in economy, because it creates either a vicious circle or a virtuous circle between employment - income - demand for goods - demand for labour force. The vicious circle is formed when employment is not a priority objective of the national strategies and it is not supported by adequate measures to the current economic situation. In antithesis to this is the virtuous circle when the State is concerned about increasing employment, so that it can generate benefits to the economy.



Source: Figure made by the authors

Figure 1. Virtuous circle/vicious cycle of employment

Throughout time it was observed that the market economy has created jobs for almost everyone who wanted to work. “This ability of the economy to create enough new jobs to allow the employment of millions of people - newly labour market entrants is the great result of competitive markets.” (Stiglitz, 2005)

The employment degree is directly influenced by the demand for goods, because the labour market is directly related to the goods and services market. John Maynard Keynes showed that the labour force employment level may decrease without any change from the aggregate demand, in case the demand direction is influenced by the products with a relatively low elasticity of the labour force employment. (Keynes, 2009)

2. VALENCES OF FLEXICURITY AT MACROECONOMIC LEVEL

The attempt to increase the employment degree in the contemporary period also requires understanding and applying a relatively new term in the field of employment, namely “flexicurity.” Flexicurity can be defined as being an integrated strategy of simultaneous consolidation of flexibility and security on the labour force market (Report Flexicurity, 2007)

Flexicurity involves two notions specific to employment:

- **flexibility** represents the transitions that every individual records during their lifetime (from school to the place of work, from one job to another, between

unemployment or inactivity and the place of work, and from the place of work to retirement). However, the meaning of this notion does not refer only to these transitions, it also involves the ability of individuals to respond effectively to the requirements of productivity and to reconcile the professional life with the private life;

- **security on the labour force market** has a broader meaning than keeping the job, referring to the development of skills as basis for progress in the professional life, from appropriate unemployment allowances in order to move towards the socio-professional integration, to professional training opportunities for everyone, but especially for those with low qualifications or for the elderly.

Achieving these goals can be accomplished with the help of the flexicurity policies, policies covering four essential components. These components are presented in table number 1.

Table 1. Components of the flexicurity policies

Components	Characteristics
<i>Flexible and reliable contractual arrangements</i>	They are provided by labour law and by collective agreements They ensure the organization of modern labour
<i>Comprehensive strategies for lifelong learning</i>	They provide adaptability and worker employability capacity, especially for the most vulnerable categories
<i>Policies from the active and effective labour force market</i>	Individuals can respond quickly to changes They help to reduce unemployment periods They ease the transition to new jobs
<i>Modern social security systems</i>	They provide financial support (unemployment benefits, pensions and healthcare) Encourage employment of labour force They determine mobility on the labour force market

Source: Created by the authors using the information from the "Report.Flexicurity", Bucharest, 2007, p. 4

In our country the implementation of flexicurity aims at the four components of the flexicurity policy presented in table number 1, and to quantify the results obtained the relevant reference indicators are used. The real situation in Romania at the moment can be highlighted through an analysis carried out by using the indicators that characterize flexicurity.

The indicators presented in this paper and with the help of which we analyze the results obtained in our country are:

- Adult population involved in education and professional training activities;
- The overall employment rate, by gender and age;
- Unemployment rate among young people;
- Long-term unemployment;
- Rates of poverty risk.

We stopped at these indicators from those characterizing flexicurity as we believe that they are the most representative to demonstrate the level reached by our country.

3. ANALYSIS OF INDICATORS SPECIFIC TO FLEXICURITY IN ROMANIA

The analysis of the indicators specific to flexicurity will include the 2006 - 2010 interval, and the series in which there is no data for the last year the analysis will cover the period from 2006 to 2009. The indicators obtained in Romania are compared with the average value recorded in the European Union, and in the eloquent situations also with the values recorded in the main European Union member states.

The percentage of adult population aged between 25 and 64, involved in education and professional training activities is presented in table number 2.

Table 2. Adult population involved in education and professional training activities in Romania

Years	Total	Male	Female
2006	1,3	1,3	1,3
2007	1,3	1,2	1,4
2008	1,5	1,3	1,6
2009	1,5	1,3	1,6

Source: <http://epp.eurostat.ec.europa.eu>

In Romania the percentage of adult population who continue professional training is low as compared with the value recorded in the EU of 9.3% for 2009. The values obtained in our country differentiate females from males, because the former record higher percentages, indicating the desire of women to continue their training throughout life. The differentiation based on gender is also reflected in the European Union, 8.5% is the percentage of males and 10.2% for females (values recorded in 2009).

The technological improvements and the increase of investment lead to raising the labour demand, but dividing the labour supply according to the level of training. Reality has shown that capital accumulation is supported by the accumulation of knowledge, proportionally with the development of the human personality through investment in human capital. The labour – capital substitution, seen as factors of production, determines in this situation the increase of the labour demand for skilled labour and the reduction of the labour demand for unskilled labour so that lifelong training is a guarantee to obtain higher income and job security.

The employment rate is a very relevant indicator to characterize the situation in our country, but also to make comparisons with EU countries.

The employment rate in Romania is found during 2006 - 2010 at a difference of approximately 6% as compared with the European average, but it is significantly reduced if we compare it with the values recorded in Germany. Table number 3 shows the employment rate in France, a country from the European Union considered developed, but it records an employment rate lower than the European average. In the

EU the employment rate had increasing values until 2008, and in the last two years the percents were declining, so that it may be considered that the current crisis has caused a reduction in employment. In Romania only the year 2009 recorded a reduction in the employment rate, increasing by 0.2% in 2010, even if the effects of the crisis were felt strongly by the Romanian economy.

Table 3. Employment rate

Country	2006	2007	2008	2009	2010
EU 27	64,5	65,4	65,9	64,6	64,2
Germany	67,5	69,4	70,7	70,9	71,1
France	63,7	64,3	64,9	64,1	64
Romania	58,8	58,8	59	58,6	58,8

Source: <http://epp.eurostat.ec.europa.eu>

The European Employment Strategy aimed to achieve an average employment level of 70% in 2010 in the European Union. The data presented demonstrate that this objective was not achieved, but through the objectives of Europe 2020 Strategy, the European Strategy on Employment sets out the objectives that target the year 2020. [8]

The strategy encourages the adoption of measures to meet the following three major objectives in 2020:

- 75% of the people aged between 20 and 64 to be active on the labour market;
- reduction of school dropout to less than 10% and the increase to at least 40% of the proportion of higher education graduates among the population aged between 30-34 years;
- reduction by at least 20 million of the number of people who suffer or may suffer from poverty and social exclusion.

The European Strategy on Employment intends to form an adequate environment for job creation, better and more jobs throughout the European Union.

Table 4. Employment rate by gender

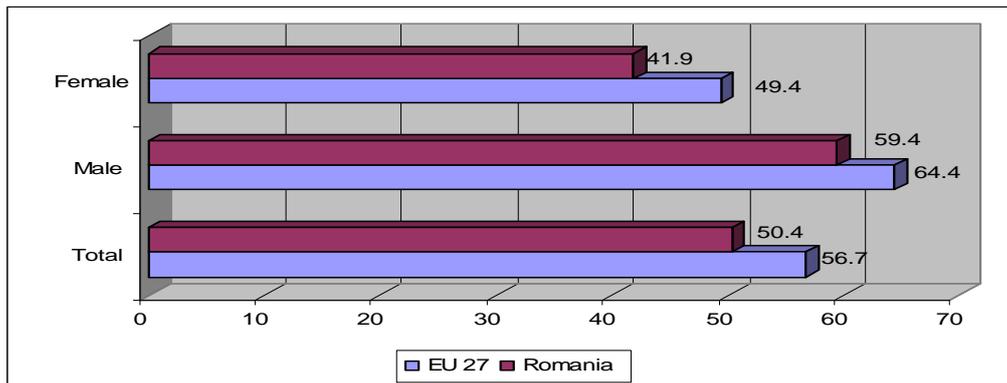
Country		2007	2008	2009	2010
EU 27	M	72,5	72,8	70,7	70,1
	F	58,3	59,1	58,6	58,2
Germany	M	74,7	75,9	75,6	76
	F	64	65,4	66,2	66,1
France	M	69,2	69,6	68,4	68
	F	59,7	60,4	60	59,9
Romania	M	64,8	65,7	65,2	55,7
	F	52,8	52,5	52	52

Source: <http://epp.eurostat.ec.europa.eu>

Having gender as a selection criterion, the employment rate has significant differences, so that in the EU the employment rate among males was of 70.1%, and among females of only 58.2% in 2010. Romania is part of this gap, but recording

lower values, 55.7% employment rate among males and 52% employment rate among females.

What is interesting to note is that although the percentage of females who continue their training throughout life is higher as compared to males, the figures are smaller when we talk about the employment rate.



Source: <http://epp.eurostat.ec.europa.eu>

Figure 2. The employment rate of elder employees in 2010

The employment rate of elder people is lower compared to the entire period in which the person may be employed. In the case of this indicator, the values recorded in Romania are closer to the level of the European Union.

The unemployment rate represents the indicator found in contrast to the employment rate, but which allows us to notice the categories most affected by unemployment.

Table 5. The unemployment rate among people under 25 in Romania

Years	Total	Male	Female
2006	21,4	22,3	20,2
2007	20,1	21,1	18,7
2008	18,6	18,8	18,3
2009	20,8	21,2	20,1
2010	22,1	22,3	21,8

Source: <http://epp.eurostat.ec.europa.eu>

Elder employees are less likely to become unemployed than younger workers, so that youth unemployment is universally higher than that of adults (Lipsey, 1999).

Unemployment among young people in our country records values leading to the conclusion that young people represent a category largely affected by unemployment. Youth unemployment rate had a decreasing trend in the first three years analyzed and recorded increases in 2009 and 2010. Clearly, the crisis has also affected the young because of reduced qualification and experience specific to this age

group. The European Union average of this indicator is of 20.6% for the last year analyzed.

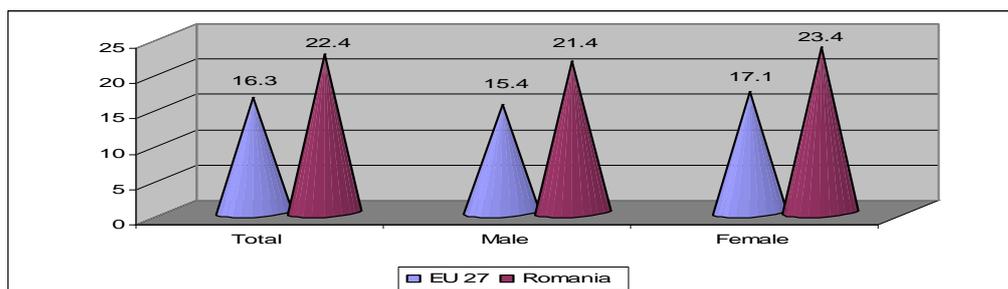
Table 6. Long-term unemployment in Romania

Years	Age 15 – 74	Age 20 – 64
2006	57,8	59,3
2007	50	51,4
2008	41,3	42,6
2009	31,6	32,7
2010	34,9	35,9

Source: <http://epp.eurostat.ec.europa.eu>

The rate specific to long-term unemployment in Romania has a downtrend, only in the last year recording growth values. At this indicator Romania can be found below the EU average for both age ranges. The European Union average for the 15 - 74 years range is of 39.9% and for the 20-64 years range is of 41.3%.

Long-term unemployment causes serious social problems since the resources families have (savings, insurance in case of unemployment, the others' goodwill, etc.) begin to decrease after several months of unemployment. (Samuelson, 2008)



Source: <http://epp.eurostat.ec.europa.eu>

Figure 3. Rates of poverty risk in 2009

The poverty risk affects 22.4% of Romania's population, females being more affected than males, because the employment rate is lower in this category. The difference as compared to the European average is of approximately 8%.

4. CONCLUSIONS

The concept of flexicurity is easy to perceive, but its application in the real economy is an attempt through which each country shows its degree of understanding. In other words, the theoretical part is clear, but the difficulty arises when we refer to the practical part.

The indicators presented to characterize the situation from Romania show that our country has differences, sometimes significant, as compared to the average values obtained in the European Union.

The involvement of the adult population in lifelong training records values of almost four times lower than the European average. The employment rate is 6% lower as compared with the level achieved by the European Union. The unemployment rate among young people is almost 2% higher than the EU average, and in the risk rates the difference is of 8%. The only indicator at which Romania records positive values as compared to what is happening at EU level is long-term unemployment, which for both age ranges presented is lower than the European values.

Romania has tried to act in two directions on the labour market: increasing the participation rate on the labour market and improving the quality of human resources.

Understanding the importance of lifelong learning for each person will increase the employment rate, especially given that according to the training level, the employment rate for people with higher education is of 82.4% in our country, and at European level it is of 82.3% for 2010.

Extending active life is highly important taking into consideration the demographic trend, but especially given the circumstances in which at European level we talk about implementing a culture of active aging.

In Romania it was concluded that the following policy areas are a priority for implementing the flexicurity principles:

- lifelong learning;
- implementation of active policies on the labour market.

This year the Labour Code was amended so as to cause an increase in the flexibility of both employees and employers.

All these aspects demonstrate that our country needs, next to investment, to increase the absorption degree of the EU funds, but all this should be achieved through the creation of the appropriate operation mechanism of the labour market.

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