

THE EFFECTS OF RECENT LABOR MARKET CHANGES ON CAREER CHOICE

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ABSTRACT

This paper aims to provide an analysis of the labor market in Romania and to observe the perceptions of the employees regarding their careers in the Romanian business environment. Our primary goal was to understand the changes in behavior and to find solutions to reduce the risk of deterioration of relationships employee - employer, the risk of high employee demotivation, of an increased staff turnover and of a significant decrease of staff performance. The research method was based on a questionnaire survey; information collected was then statistically analyzed using Microsoft Excel. The 150 employees revealed their interest in developing a career, their availability to form new useful skills to perform in the currently-available or desired future positions and their concern for work-life balance; some of them showed an interest in a euro-career or even an international one. The results of our research can lead, on the one hand, to a better decision-making process in human resource management or in strategic management, and on the other hand, to rethink the processes of business education and training.

KEYWORDS: labor market, career, staff turnover, employment rate

JEL CLASSIFICATION: F16, F22, J21, J28, M12.

1. INTRODUCTION

Business education and training are strongly influenced by the fast economic, political, social and cultural changes in the business environment. Significant changes are taking place both at the macro level and within each organization and require employees to have new professional and behavioral competences. Thus, education providers should reconsider their products and their training methods. Although they do face difficulties, education providers do not cease to analyze the companies' needs and the employees' expectations, in order to adapt their processes of training and professional development and keep their roles of credible providers of skills for business environment, and partners of those who decide to develop their managerial career.

Many specialists consider career barriers do not exist anymore (Hess, Jepsen & Dries, 2011) and employees are increasingly interested in professional and personal development in order to support their ambitious projects. This situation creates opportunities for education providers, opportunities coming together with new responsibilities related to quality and suitability.

In this paper we analyzed the labor market in Romania and we observed the perceptions of the employees regarding their careers in the Romanian business environment. Results cannot be ignored, as there is a high risk of deteriorating the relationships employee - employer, of high

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employee demotivation, of an increased staff turnover and of a significant decrease of staff performance. By using these results, the process of decision-making will be improved, both in human resource management and in business education and training, and companies will benefit from an important competitive advantage.

2. RECENT TRENDS IN THE LABOR MARKET IN ROMANIA

The labor market, which is the economic place where labor demand (employers) meets the labor supply (employees), is increasingly more dynamic, which leads to the need of finding and developing new models of training and preparing for the future jobs (Krugman, Melitz & Obstfeld, 2012).

These developments are reflected in all the European area, including Romania. The graph below shows how the number of employees in our country has been changing since 1990.

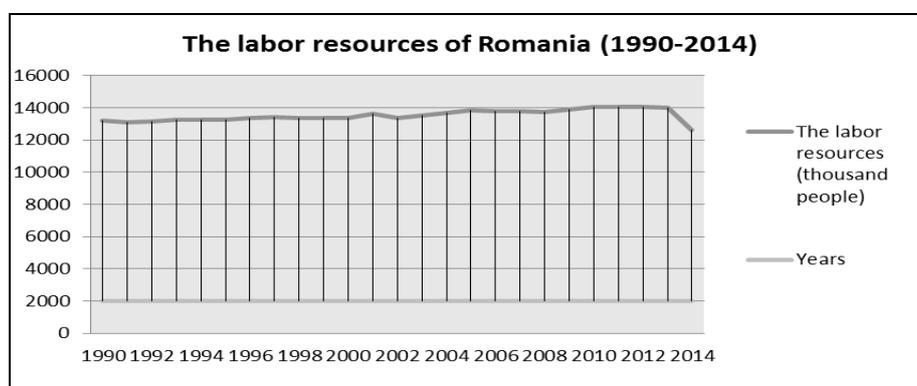


Figure 1. The number of employees in Romania (1990-2014)

Source: National Institute of Statistics (2016)

By looking at the evolution in the above figure, we can see an upward trend of the number of employees until 2012, followed by a significant decrease (in 1990 there were about 13.2 million people as workforce, in 2012 around 14 million, while at the end of 2014, workforce dropped to almost 12.6 million. We can see a significant decrease and we know from complementary sources that these people fed the wave of labor migration from east to west. (Tănase, Franț, Manciu & Tănase, 2013).

In figure 2, we present the employment rate in Romania in the past five years, 2010 -2015.

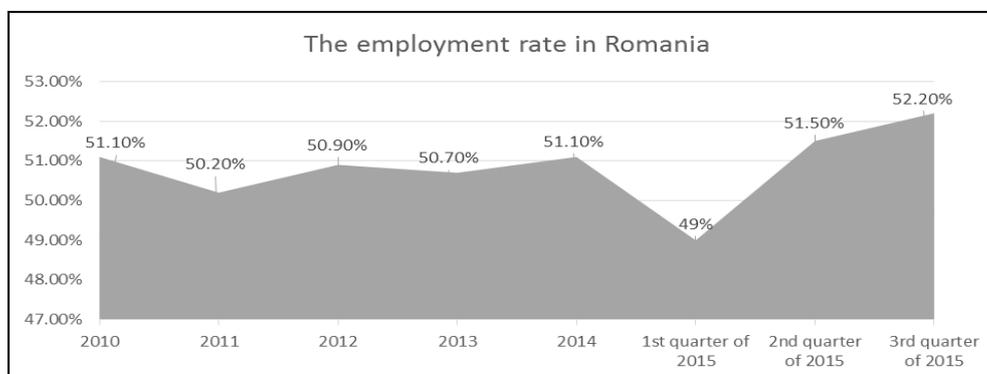


Figure 2. The employment rate in Romania (2011-2015)

Source: National Institute of Statistics (2016)

It should be noted that the employment rate has varied in the analyzed period and recorded a level of 52.20% at the end of the third quarter of 2015. However, this level is far from the EU's objective that aims to achieve an employment rate of 75% by 2020.

We also looked at the employment rate for 55-64 years old persons and have found an increase from 38.4% in 2002 to 51.8% in 2014. As it is important to compare Romania's situation to those in other European countries, we have found that the best case is in Sweden, where, for people in this age range (55-64 years old), the employment rate is 80%. (National Institute of Statistics, 2016).

In the chart below, we can see the evolution of unemployment in Romania during 2000-2015.

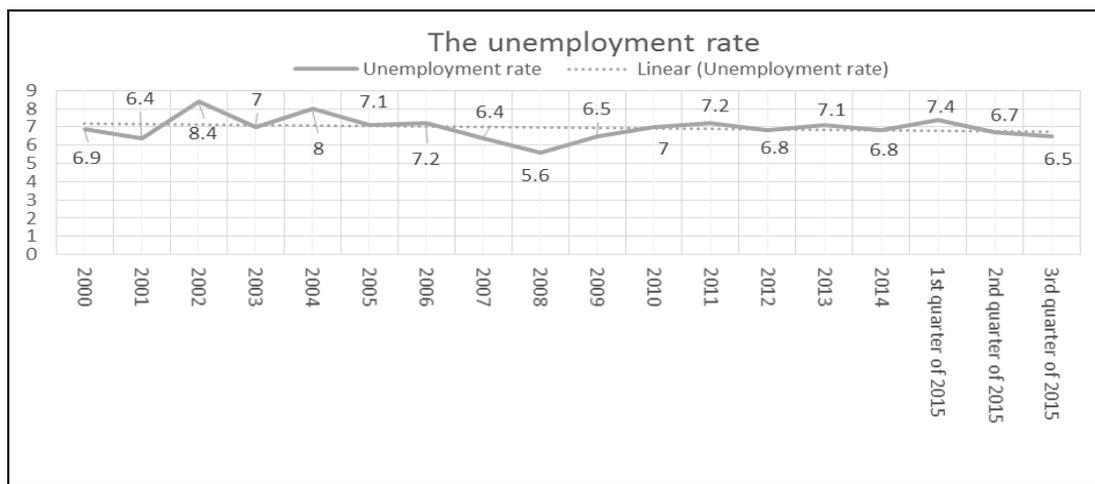


Figure 3. Unemployment rate in Romania in 2008-2015

Source: National Institute of Statistics (2016)

In number of people, the trend of unemployment is expressed in Figure 4.

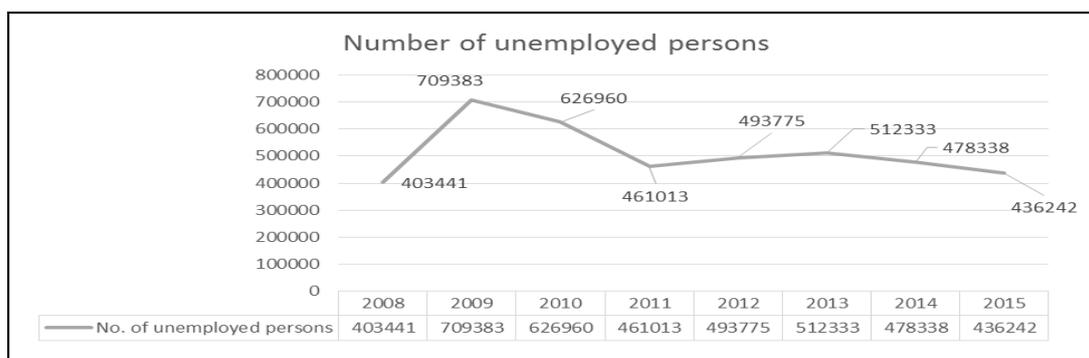


Figure 4. Unemployment rate in Romania in 2008-2015 (number of unemployed persons)

Source: National Institute of Statistics (2016)

Data shows the major negative impact economic crisis had on unemployment in Romania. Thus, in 2009, unemployment increased by more than 50% (from 403441 to 709383 people) and then, at the end of 2015, there were 436242 unemployed people. In 2015 unemployment decreased from 5.5% in January to 4.9% in December (National Institute of Statistics, 2016). However, this phenomenon does not express any improvement of the Romanian labor market, as it has to be linked to migration to various European countries (especially Italy, Spain and Germany) (Boboc, Vasile & Todose, 2012).

Romanians's reasons to leave and find jobs in other European countries are easily understood if we look at the differences in wages. In 2015 the workforce cost was 25 euros per hour in EU-28 and 29.5 euros per hour in the Euro zone (EA-19), but the differences between the member states with respect to the hourly workforce cost are quite high (from 4.1 euros per hour to 41.3 euros per hour) (Simosi, Rousseau & Daskalaki, 2015).

Table 1. Labor cost per hour in the European Union

	2008	2013	2015
EU-28	21.5	23.7	25
<i>Denmark</i>	34.4	38.4	41.3
<i>Belgium</i>	32.9	38.8	39.1
<i>Sweden</i>	31.6	40.1	37.4
<i>Luxembourg</i>	31	35.1	36.2
<i>France</i>	31.2	34.4	35.1
<i>Holland</i>	29.8	33.1	34.1
<i>Finland</i>	27.1	32	33
<i>Austria</i>	26.4	30.6	32.4
<i>Germany</i>	27.9	31	32.2
<i>Ireland</i>	28.9	29.8	30
<i>Italy</i>	25.2	28.1	28.1
<i>UK</i>	20.9	20.9	25.7
<i>Spain</i>	19.4	21.2	21.2
<i>Slovenia</i>	13.9	15.3	15.8
<i>Cyprus</i>	16.7	17.2	15.6
<i>Greece</i>	16.7	13.6	14.5
<i>Portugal</i>	12.2	11.6	13.2
<i>Malta</i>	11.3	12.8	13
<i>Estonia</i>	7.9	9.2	10.4
<i>Slovakia</i>	7.3	8.5	10.1
<i>Czech Republic</i>	9.2	10.3	9.9
<i>Croatia</i>	9.2	9.6	9.6
<i>Poland</i>	7.6	7.6	8.6
<i>Hungary</i>	7.8	7.4	7.5
<i>Latvia</i>	5.9	6.3	7.1
<i>Lithuania</i>	5.9	6.2	6.8
<u><i>Romania</i></u>	4.2	4.6	5
<i>Bulgaria</i>	2.6	3.7	4.1

Source: Eurostat (2016)

It is clear that big differences do exist at the European level and the Romanian case is an extremely unfavorable one. For instance, in 2015, the labor cost per hour in Romania was 5 euros, only slightly more than in Bulgaria, the last country in the hierarchy from the above table. The situation is totally different if we compare to the top – Denmark (41.3 euros per hour), Belgium (39.1 euros per hour), Sweden (37.4 euros per hour), Luxembourg (36.2 euros per hour) or France (35.1 euros per hour).

Unemployment is an increasingly important topic not only in Romania, but in many countries in European Union, as new solutions should be found in order to stimulate investments leading to job creation and to develop the educational systems (National Institute of Statistics, 2014). The Lisbon Strategy has a main objective of a sustainable increase of the number of employed people in European Union and focuses on innovation and knowledge, intellectual capital development and training (Stanciu & Banciu, 2012).

The measures cannot be identical, as they have to take into account the labor market characteristics in each European country (Verbruggen, van Emmerik, Van Gils, Meng & de Grip, 2015).

Table 2 presents the current situation and the objectives of a series of European countries with respect to the employment rate.

Table 2. Employment rate in various European countries

	Employment rate 2015	Objective 2020
EU28	64.9	75
Sweden	74.9	75
Austria	71.1	77
Slovakia	68.7	72
Portugal	62.6	75
Belgium	61.9	73.2
Poland	61.7	71
Bulgaria	61	76
Romania	61	70

Source: Eurostat (2016)

These figures demonstrate a concern for improving the current state. At European level, at the beginning of 2015, the average employment rate was 64.9%, a higher level compared to 2014 (64.1%). Romania and Bulgaria, countries placed at the bottom of the current hierarchy, recorded also positive trends (from 59.9% to 61% in Romania and from 59.5% to 61% in Bulgaria) (Eurostat, 2016).

Employment should be analyzed by also taking into account the age segmentation. Figure 5 shows the increase in the median age of population, 2004-2014.

This figure shows the population aging process in all the member states of the European Union. In 2014, the median age for EU-28 was 42.2%, increased by 4.2% from 2004. In Romania, the situation is even worse, the median age increasing by 5.4% in 2014 compared to 2004. At present, the median age of population in Romania is 40.8 years (Eurostat, 2016).

The analysis of employment can be enriched by taking into account the workforce distribution on various sectors and the level of competitiveness. Thus, five years ago, agriculture represented 5.1% of the workforce at the European level and 29.1% in Romania. On the contrary, in services 67.3% of the people were working in the European Union and only 40.9% in Romania (National Institute of Statistics, 2014).

By looking at the Global Competitiveness Report 2015-2016, we can see the situation improved, Romania's position going up from 59 in 2015 to 53 in 2016 (WEF, 2015).

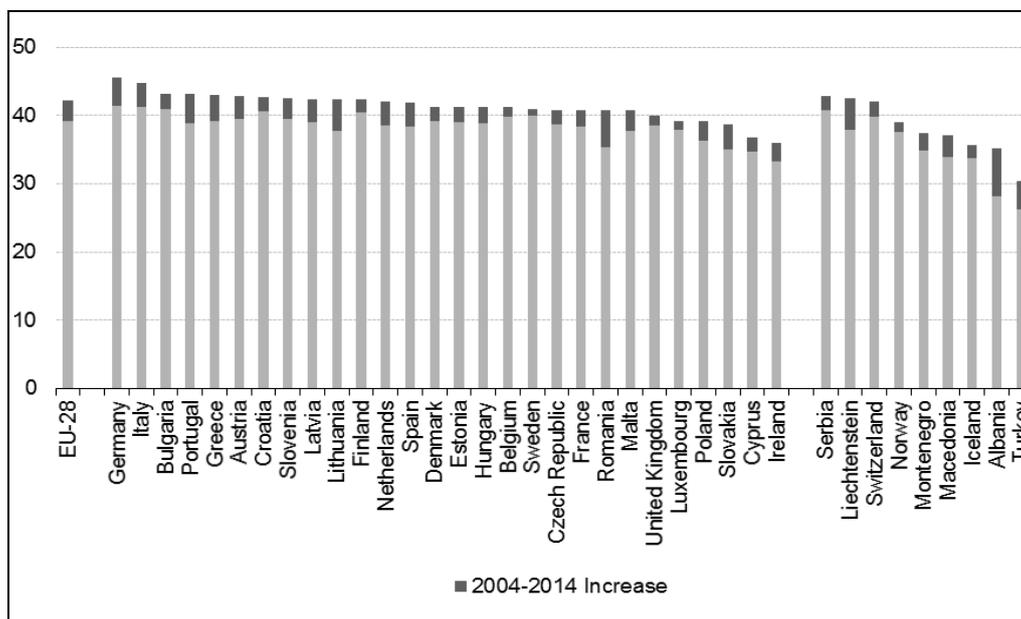


Figure 5. Median age of population, 2004-2014 (years)

Source: Eurostat (2016)

3. PERCEPTIONS OF THE EMPLOYEES REGARDING THE CHANGES ON THE LABOR MARKET AND THEIR OWN CAREER

In April and May 2016 we conducted a research based on a questionnaire survey. The questionnaire was online (GoogleDocs platform) and had 150 respondents, employees in various companies in Romania.

The main objective of the research was to collect direct and pertinent opinions referring to the recent changes affecting their careers. The questionnaire had 26 items grouped in 3 sections: labor market, career and professional development, work-life balance. From the very beginning, we were interested into trying to test four main hypotheses:

H1. Employees do have career plans that are very well established.

H2. Employees are aware of the changes on the labor market.

H3. Employees are flexible and able to change their careers.

H4. Employees look for work-life balance.

Before presenting some of the most interesting results of our research, we consider it would be useful to provide some details regarding our respondents:

- Education: 43% bachelor degree, 27% master degree, 5% Ph.D. and 25% only high school diploma (our respondents are generally highly-educated);
- Gender: 27% men and 73% women;
- Age groups: 18-30 years old – 90%, 31-45 years old – 9%, more than 45 years old – 1; the sample is not representative from the point of view of age;
- Profession: economists – 41%, engineers – 17%, jurists – 10%, 1% architects, 1% medical doctors – 1%, others – 30%;
- Employment status: currently employed – 77%, currently unemployed, but with previous professional experience – 23%;

- Seniority (years at the current job): less than 1 year – 44%, 1-2 years – 33%, 3-4 years – 12%, more than 4 years – 11%;
- Number of companies in which they worked until the date of responding: 1 company – 32%, 2 companies – 25%, 3 companies – 27%, 4 companies – 9%, more than 4 companies – 7%.

H1. Employees do have career plans that are very well established. We consider this hypothesis is valid, since 91% of our respondents understand the need for a career plan and 63% answered they do have such a plan. However, we should also take into account the need for a high flexibility: only 15% said they follow their plan very well and 36% did major changes of the plan, as a result of the changes in the environment.

H2. Employees are aware of the changes on the labor market. While our sample was a highly-educated one and thus we implied they are aware of the changes, this hypothesis is not valid. 60% answered they do not know too much (they know almost nothing) about the changes on the labor market. Time constraints and the low experience in searching, filtering and interpreting information are the main factors explaining the incomplete image of the situation. Also, information is sometimes incomplete and incorrect.

H3. Employees are flexible and able to change their career. This hypothesis is valid, as respondents are aware of the role of continuous learning and most of them are very interested in adapting to professional and personal changes. Respondents consider career success depends on capitalizing on opportunities, employees' perspicacity and managers' authority. We consider employees' availability and motivation to make changes require open mind and a high learning effort. We could also remark the very young respondents were very enthusiastic about their recent or current career changes and they tended to take more risks.

H4. Employees look for work-life balance. Many studies have revealed the importance of work-life balance. While the focus is mainly put on this issue in the case of multinationals and big companies (Igreț, Marinaș, Agoston & Mircioi, 2016), we consider this should be relevant for all the companies. The hypothesis is valid, in the sense that employees are very interested in having a balance between career and personal life, but it appears to be extremely difficult for those aiming for career success. Unfortunately, many of them referred to precise examples of disequilibrium that are tolerated and sometimes even encouraged in a series of companies operating in Romania.

4. FINAL REMARKS – CONCLUSIONS, LIMITATIONS AND FURTHER STEPS

The 150 employees were very open to our research and revealed their own vision of the issues addressed in this paper. They acknowledged the need to adopt their own system of monitoring and control of some of the observed changes on the labor market in various Romanian and European companies and industries. In general, they have a genuine interest in developing a career, they do want and work for developing new skills that are perceived as useful in the currently-available or desired future positions, and they are interested in having a balance between career and personal life; some of them are also interested in a career abroad – an euro-career or even an international one.

The interest in adequate continuous learning has been increasing and the idea of a clear relationship between career development and competence is widely shared among the participants in this study. This is a good reason for organizations specialized in business training and education to diversify their offer and to continuously adapt it to the needs of their students. Collaboration with HR managers may be very useful, as it leads to finding useful information and thus it needs to be intensified in the future.

For sure, this research can be continued in order to obtain more detailed results. While the answers of our respondents can be considered representative only for a population segment, we plan to

process the information by using additional statistical tools, as we are interested in obtaining results that will help us in designing a suitable and attractive training offer for professional and personal development of employees.

In order to continue our research, we need to include some additional open questions in the questionnaire and try to use also content analysis methods, as the answers we had made us want to explore more the employees' reasons for being flexible and choosing a particular career path after a series of events in their lives.

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