

# East-West Disparities on the Romanian Labor Market under the Influence of Globalization and Entrepreneurship

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## *Abstract*

*The East-West Romanian labor market disparities occurred and have been amplified by the rapid regional economic progress based on entrepreneurial spirit, corroborated with specific market opportunities. The end of the second millenium marked the liberalization of the Romanian labor market due to the transition from the planned economy to the open economy. As a result of this transition, the economic globalization phenomenon occurred and shaped Romania, both positively and negatively. However, at the beginning of the twenty-third century, some Romanian economic sectors are facing serious issues as far as the labor force is concerned, or rather the lack of labor force. The objective of this research paper was to explore the East-West Romanian labor market disparities under the influence of globalization and entrepreneurship through the lens of socio-economic indicators. Results confirm that the Eastern Romania is encountering serious labor issues with direct effect on particular economic sectors.*

*Keywords: labor market, globalization, entrepreneurship, regional disparities*

*JEL Classification: J10, F60*

DOI: 0.24818/REJ/2021/80/03

## 1. Introduction

A more subtle but critical aspect of the current economic situation is that the recent economic crisis and the longer-term state of arrears for an undesirable future economic event demonstrate how economic events move faster than the decision makers on public policies. Millions of Europeans face job losses if the Eurozone

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population declines, resulting in widespread poverty and social exclusion; as a result, Europe and its member states have taken numerous measures to address this issue. The Romanian labor market is regionally limited to the existence of area-specific entrepreneurial activities, but there are also sectors of activity with a high number of entrepreneurs at national level, regardless of the place of origin. This enables them to exchange best practices and to adapt their own areas of activity. As regards the north-east and western areas, they differ widely from one another, so that the North-East region is characterized as the area with the largest surface area, density, except for the Bucharest-Ilfov region and population, at national level. These criteria indicate that although each area has its own characteristics, the sectors of activity can be symmetrical or different depending on the dynamics of the entrepreneurial culture.

Under the present circumstances, Romania is free to implement its own strategy to fight a possible economic crisis due to the Coronavirus epidemic. Each member state can customize its own labor policy according to the specific nature of the climate, the number of cases detected positively or the economic activities interrupted/closed.

## 2. Literature review

Theoretical and empirical literature is overviewed in the present paper in order to explore how different social groups utilize informal sources, such as: gathered information from friends, relatives and acquaintances during the job search process (Chiripuci et al, 2020). Through the lens of the previous papers on the studied matter, we further analyze the labor market repercussions. Additionally, this chapter discusses the importance of network structure and size, the capabilities of contacts' resources, and the type of contacts' interconnections in explaining why workplace information networks have significant influences.

In this regard, sociology research on employment information networks provides an economic perspective on sociocultural topics such as strong or weak links, interaction, and distance from structural flaws. Studying the process through which individuals get job-related information via a particular social structure and information networks about endogenous occupations (Pătărlăgeanu, Constantin and Dinu, 2020).

People's interest in the social and environmental elements of interactions is increasing as a result of their proximity and contact, as well as the publication of new studies on the subject. To examine income inequality, it is also critical to

develop a model that incorporates job information networks and, as a result, human capital formation dynamics, which include the common effects of human parenting capital, the community, and neighborhood, and which occur at business cycle frequencies (Ioanides and Datcher Louy, 2004).

In accordance with Leontaridi (1998), the possibility of accepting the labor market segmentation approach as a valid alternative to the classical and neoclassic analysis of labor markets consists of three main parts. The first section examines the distant and recent origins of labor market segmentation. The second section discusses the central ideas of segmentation and radical theorists who attempted to explain the fragmented nature of labor markets and the importance of institutional and social influences on wages, employment, and the mobility of individual workers across sectors of the labor market. The third section addresses labor market segmentation using four alternative methodologies and explores mobility within and across labor market sectors. Thus, it was found that the lack of unanimity among labor market theorists on both theoretical and methodological issues precluded them from building a consistent and compelling argument for the confirmation of their hypothesis based on verifiable empirical evidence.

The labor market segmentation process is a complex mechanism that highlights the implications of the globalization phenomena (Chiripuci et al., 2020; Pătărlăgeanu et al, 2020). While cities and citizens may constitute collateral damage in the face of global forces, they are not passive players. The specialists are often addressing in their research three essential issues: When you stop to consider it, it's actually rather simple: What is globalization and why is it taking place? What concerns are arising is a major concern for cities and municipalities. How can local leaders utilize efforts that improve local democracy to adapt to this shifting climate? These are the primary challenges that the people of the twenty-first century must confront proactively, with an emphasis on intellectual comprehension, in order to shed light on where Europe and North America have been heading in recent years (Hambleton, Savitch and Stewart, 2002).

When it comes to reducing poverty rates through labor market-oriented strategies this perspective is bolstered by the experiences of countries that have succeeded in reducing poverty. These nations all highlight the critical role that rapid growth plays in enhancing the quality of life. Though the process of poverty reduction is far more difficult than the effects of high growth rates. To expose it another way, having a high growth rate alone will not serve to alleviate poverty. We must examine the fundamental variables that drive growth, such as the location of the growth, as well as the numerous mechanisms for disseminating the benefits of that expansion.

Employment is crucial in this context, as nations that have had rapid growth in both labor and economic terms have also seen significant reductions in poverty (Islam, 2004).

However, in an era of mobility, American cities occupy a strategic position on a global scale and exert an increasing influence over the quality of local citizenship. Beyond political differences and academic debates, Clarke and Gaille (1998) contend that local leaders and residents are challenged with twentieth-century ideas and ideologies that must be modified to contemporary labor market wants and offers). In line with the activation, austerity measures have aimed to contain the state's costs by lowering unemployment/unemployment insurance (EI/UI) replacement rates and tightening eligibility standards, which has resulted in reduced benefit receipt rates (Rudman and Aldrich, 2016).

Two broad and interconnected themes have dominated the recent literature on governance and local participation: the dynamics, spatial and temporal dimensions of local governance's "neo liberalization"; and the relationship between local governance and democracy, specifically the "meaning, potential, and traps of "participation." The latter was established by new research findings during a symposium held in the early twenty-first century, during which a number of issues were raised: Local democracy's representative and participatory conflicts; the contrasts and overlaps between participation, democratization, and social movements in cities; and means for strengthening democratic engagement with impoverished and marginalized groups in northern and global south cities. Additionally, it has been noted that there is a growing need for work on the political and economic dynamics of the city's areas, which entails engaging in themes of democracy and citizenship (Guarneros-Meza and Geddes, 2010).

Political entrepreneurs are developing an alternative energy model on a territorial scale through the mobilization of resources collected throughout their careers (Ignat and Constantin, 2020). It gradually manifests itself in the formation of regional productive systems, which are primarily administered by regional councils and metropolitan districts. These processes result in changes, which are frequently modest, but which undergo acceleration stages and can result in major changes in energy systems. They create differentiation within the national energy sector structure, all the more so because they are executed uniformly. Given the centrality of energy in the state's structure, these transformations would have an effect on both public policy and the state itself (di Gaetano, 1999).

The entrepreneur's objective of connecting with their customer and adding value through partnerships is critically important for businesses of all sizes. When examining the entrepreneurial spirit in terms of integrating the circular economy practices into the business sector, the number of job vacancies created as a result of facilitating the transition to a more circular economy is a highly valued component of the labor market (Pătărlăgeanu et al, 2021).

Over time, insufficient attention has been paid to the mechanisms by which inequities in race/ethnicity can be eliminated. According to R.P. Giloth's vision (2004), using an X-ray scan of the appropriate framework to highlight the methodological issues unique to quantitative research, which examines racial/ethnic neighborhoods and disparities, measurement, causality, interpretation, and policy implications, would increase jobs and, more importantly, their sustainability. It is also possible that the difficulty implementing policies on the supply and demand of jobs in relation to racial problems at the regional level is attributable to the fact that innovative entrepreneurship should concentrate on improving vulnerable neighborhoods, which is already being pursued in the United States.

While it has become popular to dismiss "full engagement" as a feasible economic and social policy target, there is a compelling reason to adhere to this goal. Employment has long reflected the notion that everyone should have the right to a decent living based on their own efforts (Popescu, Constantin and Chiripuci, 2020).

Full involvement refers to this concept of social integration through full participation in work life. However, the objective's content should be reassessed. The concept of continuing work and full-time dependency is out of date, despite the fact that it indirectly exposes numerous institutional arrangements. On the other hand, the "men's washing standard" denies women equal employment opportunities and absolves males of complete household duty. Schmid and Gazier (2002) propose that this rule be replaced with the concept of transitional labor market regulation. "Transitional labor markets" would bolster the innovation and investment strategies necessary to address Europe's employment issue. These are characterized as institutionalized systems that permit or support the mix of useful labor and other (and, to some extent, economic) social activities. Simultaneously, significant components of this strategy include the combination of work time reduction and lifelong learning, the use of explicit wage subsidies for lower-income groups in emerging groups or challenging individuals, and legally negotiated or contractual rights to transitional employment. These transitional labor markets would also act as a resilient buffer in times of recession.

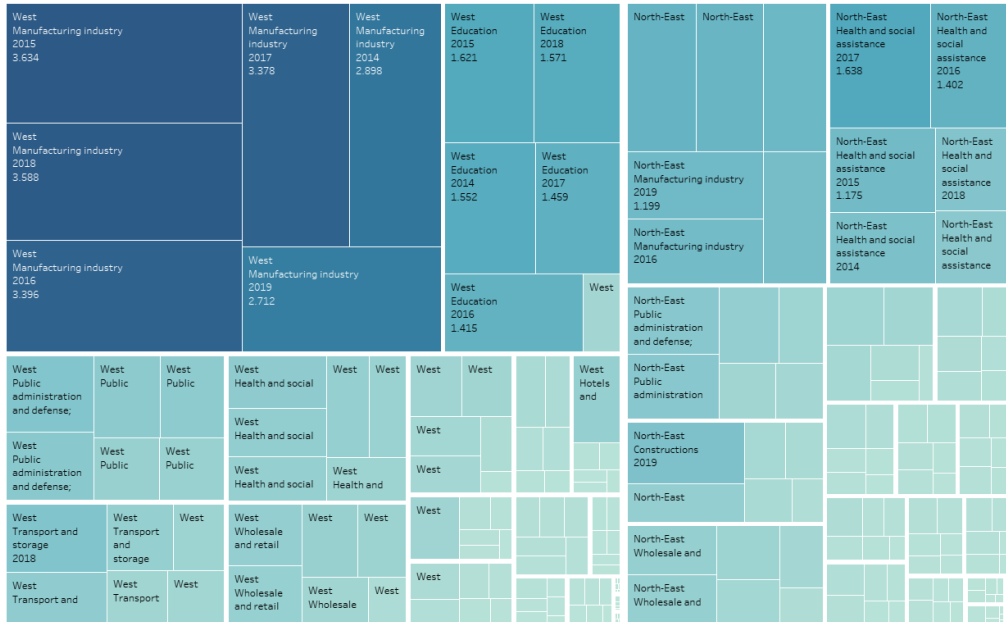
The European Union is being facing with the emergence of a nexus between flexibility and security, which underpins the new notion of "flexicurity" policy, in which national governments, industry sectors, individual businesses, and workers are all participating in a complex organizational flow. On the one hand, there is a high need for labor market, employment, and work organization flexibility. Simultaneously, there is a great demand for employment security - notably for disadvantaged groups - and for the maintenance of social cohesiveness in contemporary society. Policymakers, legislators, trade unions, and employers' organizations all have a great need for new models and policy conceptions inspired by theory that promise to balance these seemingly conflicting objectives of increasing flexibility and security (Wilthagen and Tros, 2004).

### **3. Research results and discussions**

The Romanian labor market is limited by employers who are facing a lack of qualified employees; another issue on the national labor market is represented by the category of employees who consider that their work is worth more money. Under these circumstances, companies specialized in recruiting and placing personnel have emerged in the market. With growing business figures and profits, recruitment agencies continue to be successful regardless of what side the balance: employers or employees.

The Romanian labor market is a dynamic one that is constantly changing, regardless of the country's development region or counties. Several years ago, employers had control over the entrepreneur-employee relationship, with the balance now leaning somewhat in favor of employees, given the labor shortage in Romania and the exodus of specialists abroad. All this was valid until march this year, but the pandemic period changed the rules of the previous report, which is why employers decided to keep only their skilled and serious employees and then hire depending on the supply on the market.

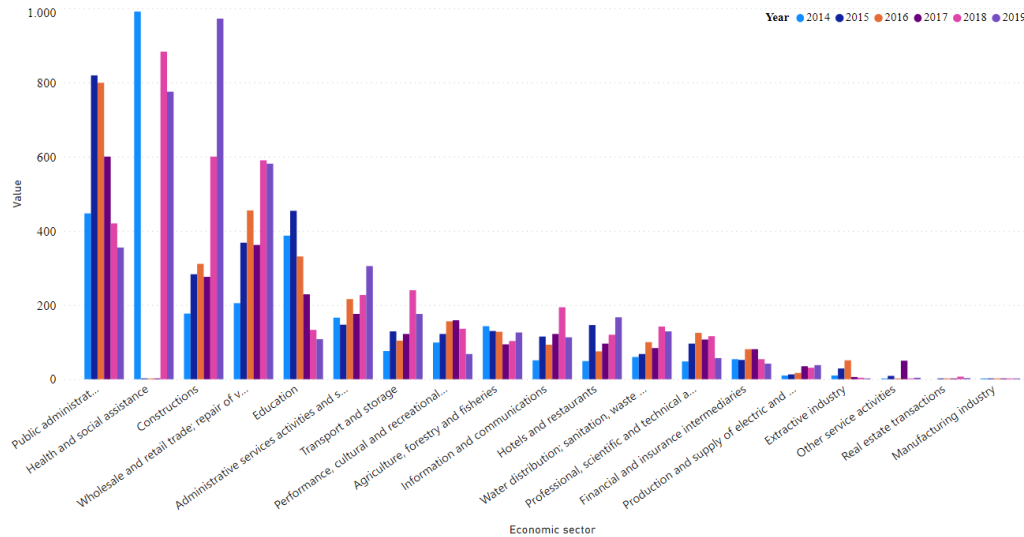
The North-East region is characterized as the area with the largest surface area, density, except for the district of Bucharest-Ilfov and population, at national level, while the West region has the smallest population, the smallest area, except the highly urbanized district of Bucharest-Ilfov, and the lowest density. These criteria can show the dynamism of the labor force in the two different areas of the country, which also belong to different historical regions: Moldova and Banat.



**Figure 1. Treemap of vacancies in the North-East and West development regions, split per economic sector, year and development region**

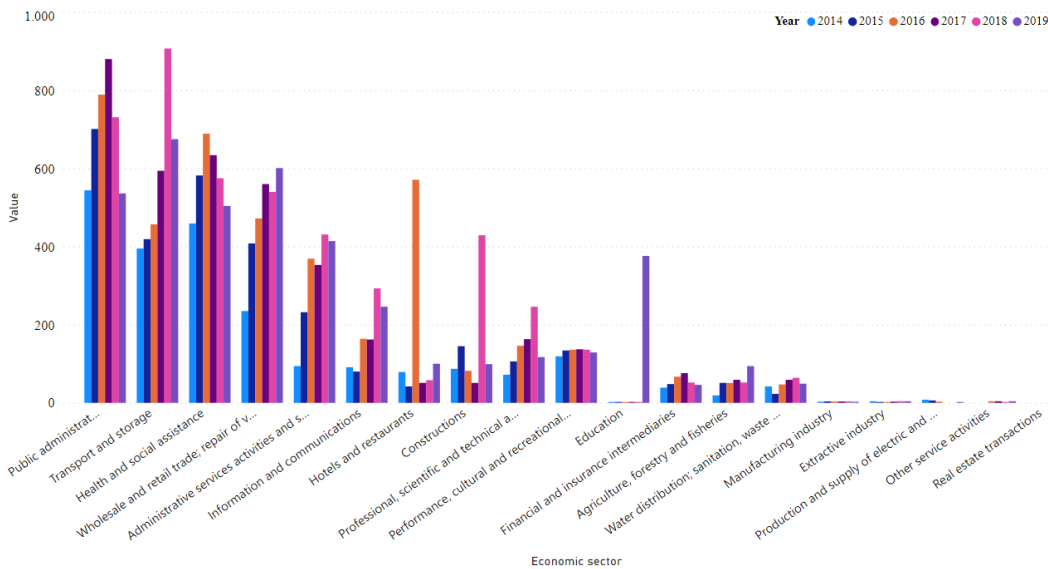
*Source:* Author’s processing, based on the National Institute of Statistics in Romania data

With reference to the preceding chart, it is worth noting that the North-East development zone has the biggest number of job openings in labor-scarce sectors such as manufacturing and health and social care. Simultaneously, businesses such as mining, real estate transactions, and other service industries report the fewest job openings. Simultaneously, the manufacturing industry in Romania faces the greatest workforce shortages, with the region assessed accounting for approximately 8.6% of total national demands between 2014 and 2019. Simultaneously, the national minimum requirement for vacancies is recorded in real estate transactions, with the North-East area accounting for around 1.7% of the national requirement. Additionally, we include agriculture, forestry, and fisheries, mining, processing, financial intermediation and insurance, public administration and defense, as well as social security, education, health, and social assistance, as well as performing, cultural, and recreational activities, among the sectors that reported a decrease in job vacancies during the period under review. This is a cause for concern given the volume of economic activity, since the majority of business activities indicate an increase in labor demand, which is typical in this developing region, where job vacancies are expanding at a rate of roughly 24% in 2019.



**Figure 2. Distribution of vacancies in the North-East development region**

*Source:* Author's processing, based on the National Institute of Statistics in Romania data



**Figure 3. Distribution of vacancies in the West development region**

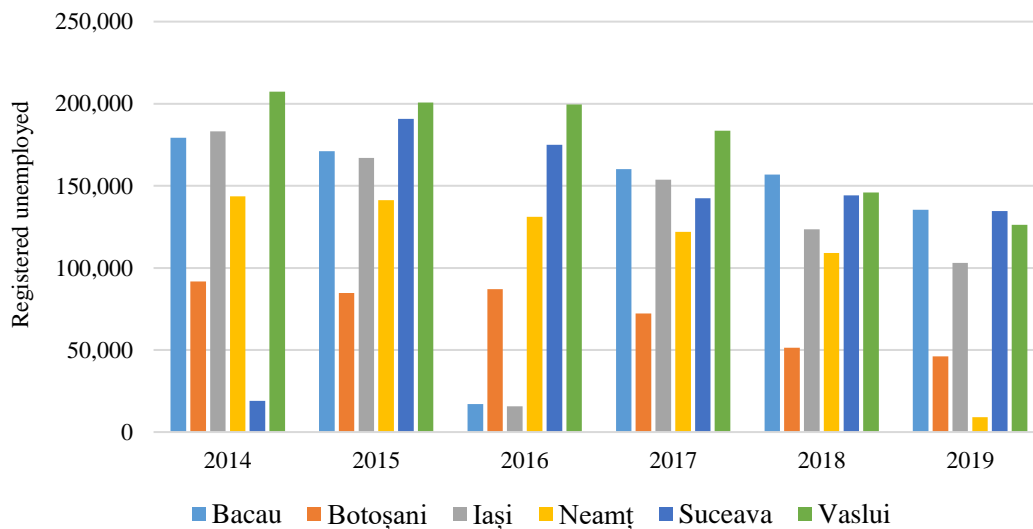
*Source:* Author's processing, based on the National Institute of Statistics in Romania data

Proceeding to the analysis of the West development region, it is noted that this region has the highest labor shortages in sectors such as manufacturing, education, public administration, and defense; and public social security. On the other side, real estate transactions indicate a lack of demand for labor at the time period studied,



while sectors such as mining, electricity and heat, gas, hot water and air conditioning, and other service activities indicate a dearth of employment openings. Additionally, the industrial sector faces the greatest manpower shortages at the national level, with the West area accounting for approximately 23% of total Romanian requirements between 2014 and 2019. Simultaneously, the bare minimal requirement for national openings is recorded in real estate transactions where this developing region lacks even a single employment vacancy. This implies that this field offers a variety of employment opportunities in western Romania.

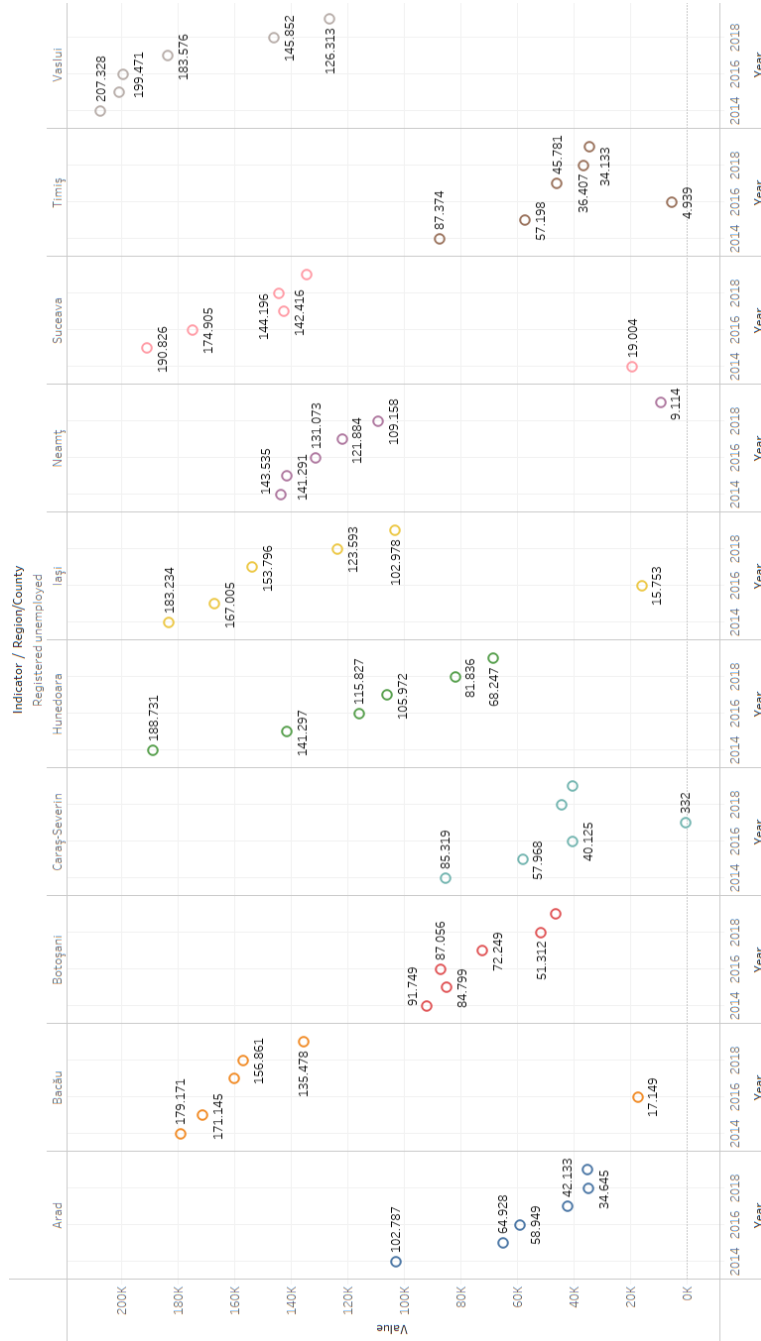
We include the processing industry, the production and supply of electricity and heat, gas, hot water and air conditioning, public administration and defense, social security in the public system, education, but also performing, cultural, and recreational activities, among the areas that have seen a decrease in the number of vacancies during the period under review. It is to be appreciated that the number of jobs at the national level has decreased between 2014 and 2019, a tendency that is directly linked to the above-mentioned categories of activities. Even if this decline is not continuous and only accounts for 0.45% of the total, chances for a persistent downward trend can still exist.



**Figure 4. Distribution of registered unemployed in the North-East development region, split per county and year**

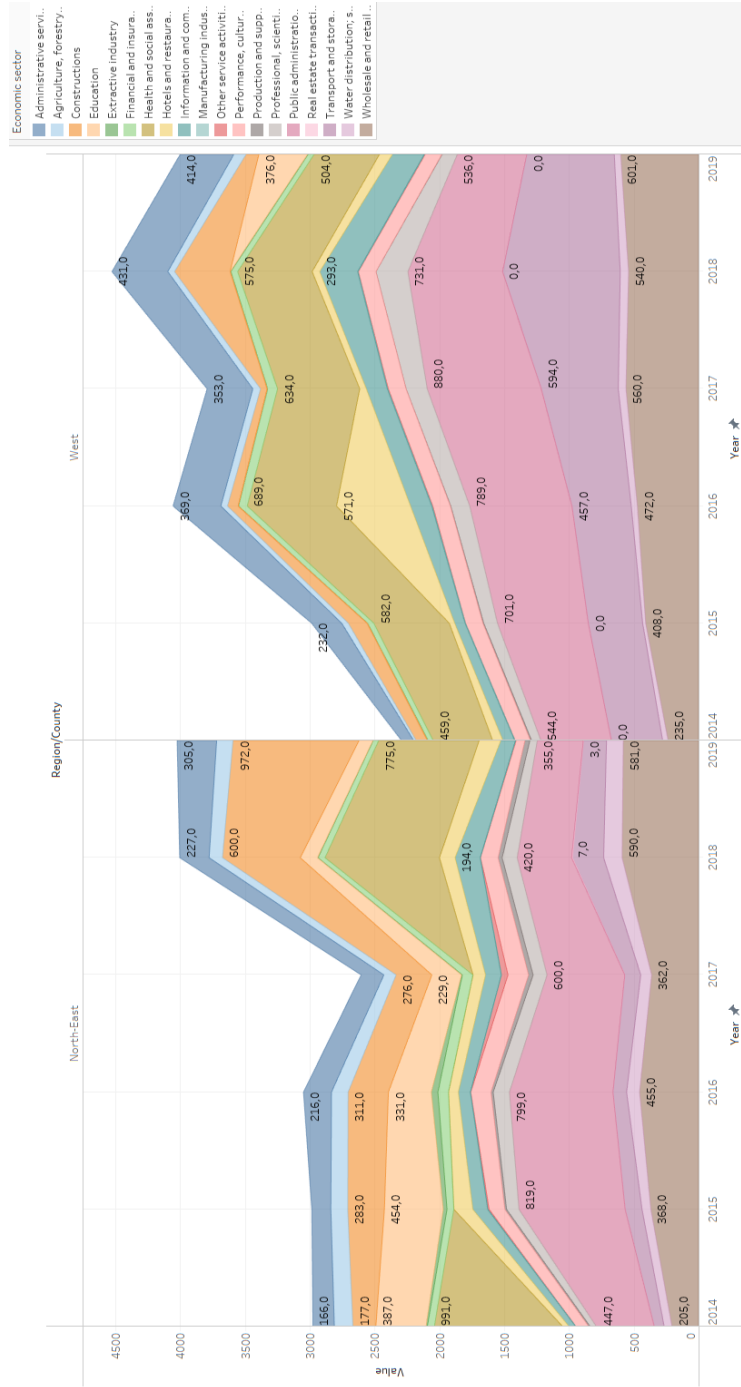
*Source:* Author's processing, based on the National Institute of Statistics in Romania data

Figure 5. Distribution of registered unemployed in the North-East and West development regions, split per county and year

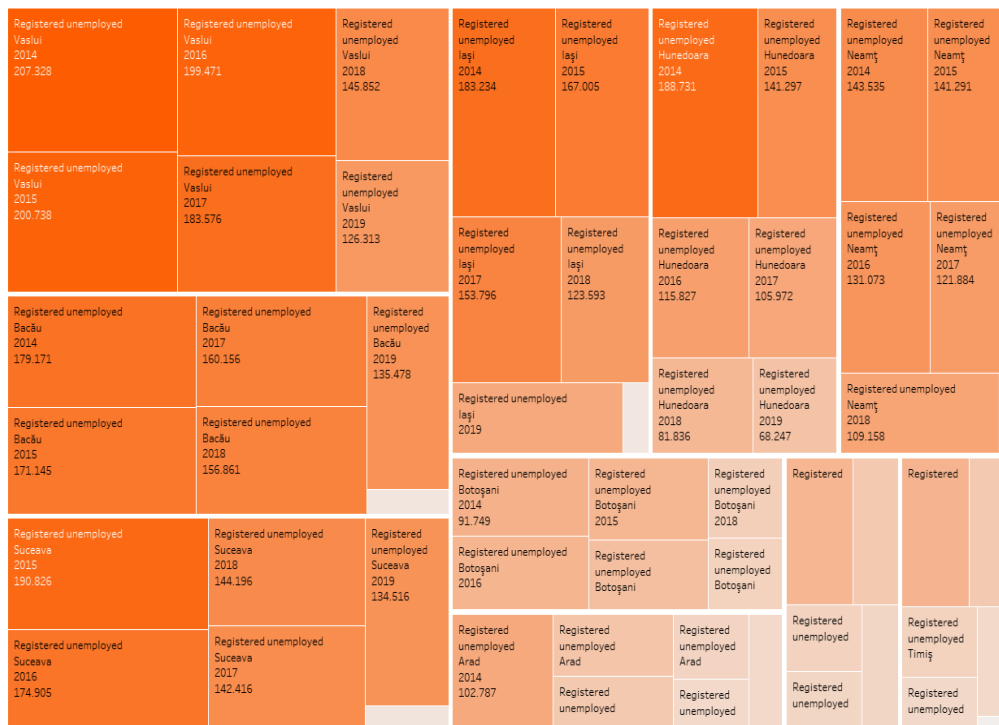


Source: Author's processing, based on the National Institute of Statistics in Romania data

Figure 6. Distribution of vacancies in the North-East and West development regions, split per sector of activity and year

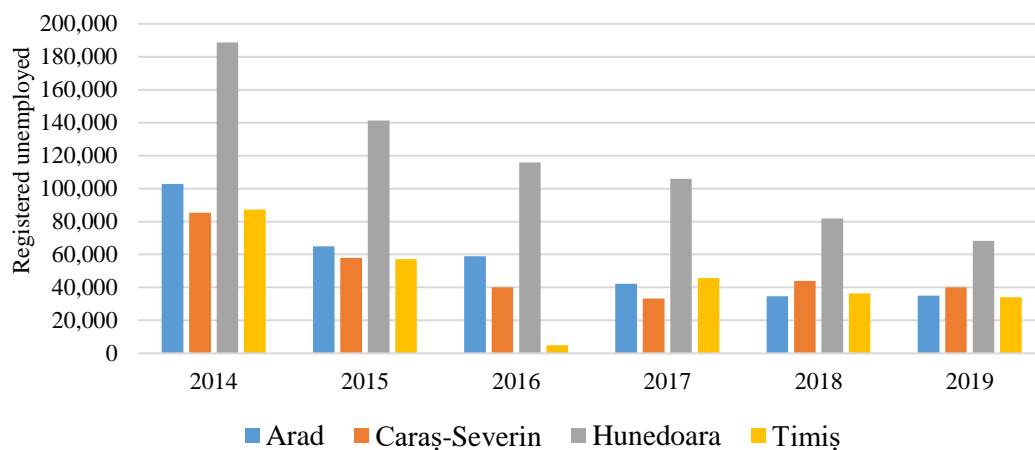


With reference to the preceding figures, it is possible to observe a gradual decline in the number of unemployed in the North-East development zone over the time period investigated. Simultaneously, as shown in previews analysis, job vacancies in the North-East of Romania are significantly higher than the total of unemployed. This is a statement that research should be conducted at the level of each registered unemployed person's qualification with the goal of reintegrating them into the labor market. This growth in unemployment is partly explained by other variables such as the persistence and expansion of voluntary unemployment, mortality, and population movement to other EU Member States. However, we believe that the number of job openings can be bolstered to some extent not only through involuntary unemployment, but also through the implementation of policies aimed at reducing voluntary unemployment. Additionally, within this region, it can be observed that the number of unemployed persons has decreased in each county, and therefore at the regional level. Simultaneously, the unemployment rate in the region assessed is roughly 18.4%, indicating an important factor to consider while implementing regional economic policies.



**Figure 7. Treemap of registered unemployed in the North-East and West development regions, split per county and year**

*Source:* Author's processing, based on the National Institute of Statistics in Romania data



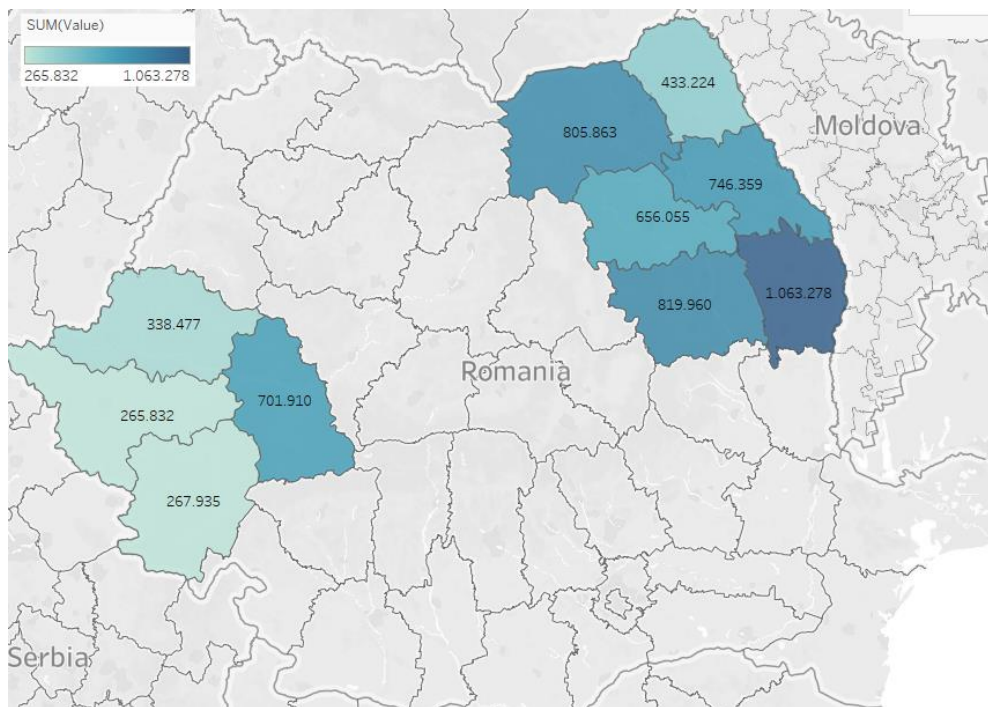
**Figure 8. Distribution of registered unemployed in the West development region, split per county and year**

*Source:* Author's processing, based on the National Institute of Statistics in Romania data

Thanking into account the comparative analysis of the development regions of the North-East and West the results point to similar development needs. The North-East region has the highest unemployment rates in the counties of Vaslui, Bacău, Suceava, Iași, and Neamț, where the phenomenon of unemployment began and grew to over 100,000 individuals over a five-year period from 2014 to 2019. The issues are particularly acute in the North East development region, which is grappling with an extremely high rate of unemployment, because the region has relatively limited development potential. However, in the western development region, Hunedoara County is coping with a huge number of unemployed individuals. In 2019, there were approximately 80,000 persons who had lost their job possibilities in Hunedoara County.

According to the Figure 6, it can be observed that within the West region there is a gradual decrease in the number of unemployed in the 2014-2019. At the same time, job vacancies in the west area of Romania report a much higher number than the total unemployed. This aspect certifies the hypothesis that research should be developed at the level of every qualification of registered unemployed people, with the aim of getting them into the labor market. This increase in the number of unemployed people is certainly also due to other factors such as mortality, population migration to other member states of EU, or the maintenance and increase of voluntary unemployment. However, the number of job vacancies, we

believe, can be supported by involuntary unemployment, but also by the implementation of policies to reduce voluntary unemployment.



**Figure 9. North-East and West development regions disparities based on the registered unemployed during the 2014-2019 timeframe, split per county**

*Source:* Author's processing, based on the National Institute of Statistics in Romania data

In the West region, it can be seen that the number of unemployed people has decreased for each county, especially in the case of Hunedoara, and therefore also at regional level. At the same time, the share of unemployed in the region analyzed compared to the national level is around 5,6%. Bearing in mind that there are eight development regions at national level, we consider this important, but not decisive issue as to the importance of this area in the national economy.

#### 4. Conclusions

Employers have been more flexible in recent years, both in terms of selection criteria and working hours. There is no longer a definite program, only an indicative one, which, of course, varies according to the field of operation and entrepreneurial vision. Romania had a highly developed industry during the communist era, and employee productivity was directly tied to the number of products produced,

justifying the rigor of the working program. Now, the emphasis is on performance and achievement of professional goals, and self-taught candidates who are quick to pick up new abilities and eager to extend their existing ones are in high demand. Simultaneously, the organization's culture, atmosphere, and workplace safety are becoming increasingly important, with employees seeking an environment that enables them to grow professionally, while also being valued and encouraged.

The investigated case study revealed that the North-East and West development regions are significantly different in terms of area, population, and density. However, it was noticed that the two areas of the country register similar entrepreneurial activities at the regional level in the processing industry and health and social assistance.

On the other hand, activities such as the extractive industry, but also other service activities, register a small number of entrepreneurs in the two distinct regions of the country, owing to the absence of favorable tax incentives for the extractive industry and the absence of entrepreneurial implications for other service activities that could help develop this sector. Additionally, it was discovered that the number of vacancies decreased in the country's two development regions, namely public administration and defense; public social security; manufacturing; and performing, artistic, and recreational activities. This demonstrates that regional-level policies and actions have had positive implications, benefiting both entrepreneurs and employees.

In terms of unemployment in relation to the country's two development regions, one can notice that both the North-East and West regions have decreased, with the exception of Hunedoara County, which appears to be the least developed county and in need of investment in a variety of entrepreneurial activities to enable local businesses to influence other areas. Simultaneously, this decline in unemployment is consistent with the decline in the number of job openings, indicating that the two variables are closely related and free of interfering variables.

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