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**HUMAN CAPITAL MANAGEMENT AND THE LABOUR  
MARKET IN ROMANIA**

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**Abstract:**

Over the last years, the European Union aimed its social policies to develop the human capital, meaning to equip its citizens with competences needed to adapt to the current economic situation in Europe, described by fast-changing technology and labour market. The goal of this paper is to analyse the social policies that target the development of human capital at the European Union level, as well as the measures that Romania implemented to manage their human capital. The paper also evaluates the results of the human capital development measures and their impact on the labour market in Romania in 2007-2016 period, using indicators associated to education, demography, employment, unemployment, income and labour productivity. Our analysis reveals that since Romania had become a member state of the European Union, the interest in the human capital development has increased, but Romania is making small progress. The implemented measures and policies had limited impact, and in some cases where not clear. To ensure a better management of the Romanian human capital, new approaches and innovative social policies are required.

*Key words: human capital management, labour market, social policy*

**1.Introduction**

Over the last decades the interest in developing the human capital of the citizens has increased. The governments of each country started to develop measures and social policies in order to support the human capital development. The human capital is formed by the educational capital and the biological capital. The educational capital represents the competences acquired by a person through formal or non-formal education, and the biological capital is defined by the physical abilities of the person, more often by the health status. An individual capitalizes his human capital on the labour market, when is using his competences to generate income through work. The level of education influences the income, the more educated an individual is, the more money he can produce. The goal of this paper is to analyse the social policies that target the development of human capital at the European Union level, as well as the measures that Romania implemented to manage their human capital. The paper also evaluates the results of the educational human capital development measures and their impact on the labour market in Romania in 2007-2016 period, using indicators associated to education, demography, employment, unemployment, income and labour productivity.

**2.Human capital in the European Union**

European Union (EU) set up the Europa 2020 strategy, a strategy that emphasizes smart, sustainable and inclusive growth. Two of the strategy's target are related with education and employment. The EU want to increase the employment rate to 75% of the population aged 20-64, and to reduce the drop-out rate to 15% and to increase the share of

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population aged 30-34 that completed tertiary education to at least 40% until 2020 (European Commission, 03.03.2010).

The EU developed the Flagship Initiative “Innovation Union” that promotes excellence in education and skills development in order to ensure that the Member States have highly qualified workers, and to offer to them attractive careers and easy mobility among the states, to have schools that prepare the young people to innovate, to reform higher education in order to attract enough top global talent, to train and attract more young people to become researchers and to involve the business sector to develop the curricula and doctoral training (European Commission, 06.10.2010).

The “Youth on the move” Flagship Initiative provides specific guidance for the EU Member States relating to the learning mobility of young people, in order to make the information more accessible and to improve the quality of the information and guidance regarding the mobility opportunities. The initiative highlights the necessity to better prepare the mobility periods by developing the partnerships and exchanges between education institutions, as well as between providers of non-formal institutions, and promote the value of the learning mobility through the cooperation between educational institutions and business sector (Council of the European Union, 2011). The initiative also will work on the recognition of non-formal and informal learning, modernisation of higher education, improve educational outcomes and investments at all education levels, from preschool to tertiary, and to support the young people integration into the labour market (European Commission, 03.03.2010).

The "An Agenda for new skills and jobs" is the Flagship Initiative of the EU that develops the human capital and contributes to increase employment by encouraging the EU Member States to use the EU funds and the European Structural Funds on structural reform in order to develop flexicurity policies for a better function and modernization of the labour market, to have more skilled workforce, especially through investment in education and training system, anticipating the skills needed in the EU labour market, to improve working conditions and the quality of the jobs and to create policies to promote job creation, entrepreneurship and self-employment (European Commission, 23.11.2010).

### **3. Educational capital in Romania**

In 2013 Romania set up a National Strategy plan to decrease the early school leaving and in the same time to develop the National Strategy on Developing/Modernizing the Education Infrastructure. Romania aimed also to improve the lifelong learning framework by developing measures and use the European funds to increase the adults' access on education and to develop the National Qualification Framework in the field of education and vocational education training (VET) to be used at a national level. Romania also plans to use the European funds in the tertiary education, by developing and implementing projects aiming to improve its accessibility and quality. Starting from 2014 Romania planned to implement the Youth guarantee pilot scheme to facilitate the youth transition from school to the labour market, aiming to increase the access of the labour market of 5000 youth aged 15-24 that are not in education, employment or training and in the same time did not graduate the secondary school. During the same year Romania defined the National Employment strategy. Romania develops their human capital by equipping the individual with the relevant skills in line with the labour market needs and to improve the workforce skills (Romania Ministry of Foreign Affairs, 2013).

During 2013-2014 Romania aimed to create better conditions for the children with fewer opportunities and to ensure equal chances for education through the following programmes: “School supplies” where 722198 students received school supplies, “High

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school money” where 98602 high school students receive scholarships, “Euro 200” where 21077 students received support to for the purchase of computing technique, “Croissant and milk” and “Honey and fruits”, where all the preschool and primary students received food supplies. Romania also implemented “School after school”, “Second chance”, “Functional literacy” programmes in order to raise the level of literacy of the population and reducing school dropout. Through European Structural funds, in Romania were implemented projects that developed the vocational education, high school (technological branch) and post - secondary education and adopted national measures to adapt the tertiary education to the labour market demands and implemented social programmes to offer financial support for the young students. In the same year Romania also developed National Register of Qualifications in Higher Education and National Qualifications Framework with 8 levels of qualifications (Romanian Government, National Reform Programme, 2014).

In 2014 Romania took the engagement to continue the fiscal consolidation in order to sustain the economic growth by investing in education, among other sectors by raising the income of the early-stage teachers in pre-university education; tutors and lecturers in higher education (Romanian Government, 2014), taking actually action in 2015 and plan to increase the wages of the teaching and supporting staff in education by 5% as of March 1 and by 5% as of September 1, and previsioned the same action for the next year the same actions, planning to increase the teaching and supporting staff in education by 5% as of 2016 March 1 and by 5% as of 2016 September 1 (Romanian Government, 2015).

During 2015-2016, Romania aimed to develop several plans, measures and programmes, according with the EU recommendations: National program for early childhood stimulation, National strategy on education infrastructure, The integrated IT system of education, Strategy on vocational training in Romania 2014-2020, National Strategy on Reducing Early School Leaving, Strategic Framework to increase the participation, quality and efficiency of tertiary education in Romania 2014-2020, Strategic Information System, National Lifelong Learning Strategy, Methodology for the organization and operation of community centers for lifelong learning (Romanian Government, National Reform Programme, 2015). During 2016-2017 several measures have been planned and the major part of the policies and strategies elaborated during 2015-2016 were continued to be implemented trying to reduce the early school leaving and to improve the tertiary education (Romanian Government, National Reform Programme, 2016). Starting from 2018 1<sup>st</sup> April, trying to raise the education level, Romania wants to develop structural reforms to improve the social assistance policies by offering allowance for the children from families that are depending the social system (Romanian Government, 2016).

Although Romania implemented several measures and policies in 2013, it made limited progress on education reform. Reducing the early school dropout rate, setting up reforms in VET and improving the labour market relevance of tertiary education proved challenging for the country (European Commission, 2.6.2014). Despite the new measures implemented and the effort to develop other national strategies and programmes, to reach the Europa 2020 targets, there are significant delays in adopting the National Strategy for reducing the early school dropout rate. The biggest and serious challenge that the country has is to improve the quality and labour market relevance of higher education (European Commission, 26.2.2015).

The public expenditure rose from 2.8% in 2013 to 3.7% of GDP in 2015. Even though were implemented measures and programmes, the quality of VET remains an important issue. There are still mismatches between the tertiary education and the labour

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market needs. The skill supply and the early school dropout rate remain a challenge for Romania and the country is making small progress (European Commission, 26.2.2016).

## **4. Human capital and the labour market in Romania**

Romania is making efforts to improve their human capital and the individual performances on the labour market. Starting from 2007 the number of Romanian population decreased from 21 130 503 individuals to 19 760 314 individuals in 2016.

In Romania, compared with 2007, the employment and activity rate for 20-64 age class, as percentage in total population increased from 64.4% to 66.3%, reaching the highest value in 2015, 66.0%. The nominal labour productivity per person employed (EU28=100) increased every year during 2007-2016, from 40.2 to 62.5, reaching the highest value. The evolution of employment occurred differently, depending on the educational attainment level. Figure 1 show the evolution of the Employment by educational attainment level - annual data as percentage of total employment. Compared with 2007 the employment rate for the population aged 20-64 attending less than primary, primary and lower secondary education (levels 0-2) decreased from 20.4% to 18.1% in 2016, and for the population aged 20-64 attending upper secondary and post-secondary non-tertiary education (levels 3 and 4) also decreased from 64.9% to 6.5%. The situation is opposite for the population aged 20-64 following tertiary education (levels 5-8), the rate increased every year, from 14.7% in 2007 to 21.4% in 2016. Until 2014, among the 3 classifications, the biggest employment rate is the employment rate of the people following upper secondary and post-secondary non-tertiary education, followed by the less than primary, primary and lower secondary education and then the tertiary education.

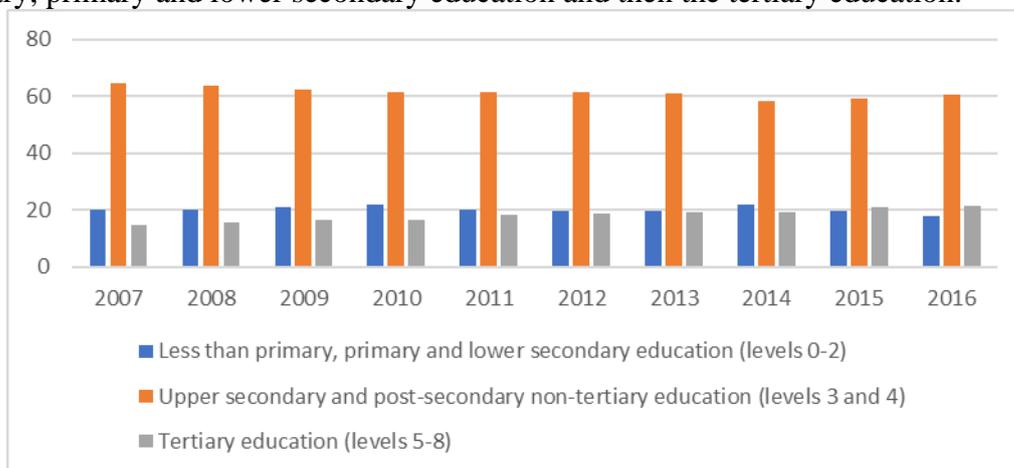


Fig. 1 Evolution of employment by educational attainment level - annual data in Romania, age class 20-64 (% of total employment)

The situation is different for the unemployment rate. In Romania, the unemployment rate of the population aged between 20-64 years old attending tertiary education is lower compared with population attending less than primary, primary and lower secondary education (levels 0-2) or upper secondary and post-secondary non-tertiary education (Fig. 2). Although the rate increased starting from 2008 from 2.7% to 5.9% in 2014, the rate decreases at 3.1% in 2016. Overall the unemployment rate for 20-64 age class attending less than primary, primary and lower secondary education and those who

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are attending upper secondary and post-secondary non-tertiary education decreased compared to 2007, from 7.9% to 7.7% and from 6.5% to 6%.

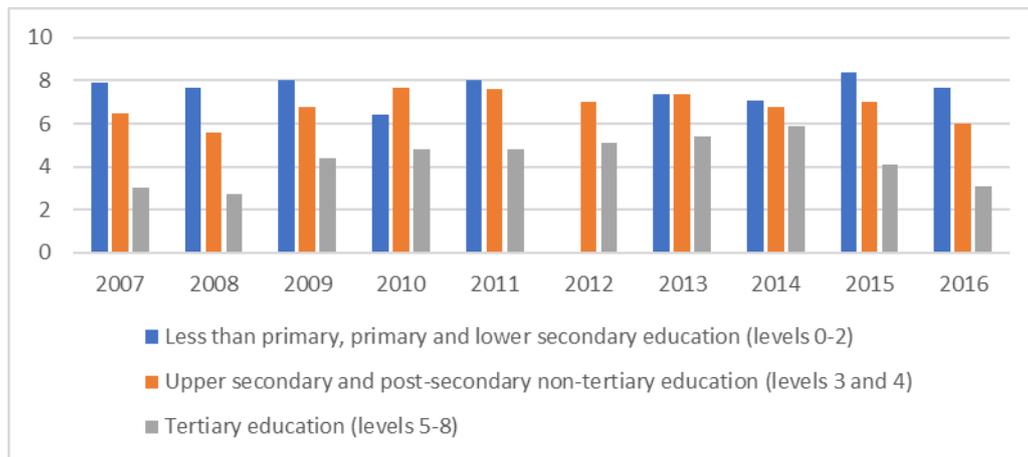


Fig. 2 Evolution of unemployment rate by educational attainment level in Romania, age 20-64 - annual data (% of total active population)

Since Romania became a Member of the European Union, the minimum wage increased from 115.27 Euro in the first semester of 2007 to 276.34 Euro in the second semester of 2016. In Romania also, the annual net earning for a single person without children increased from 2 395.97 Euro in 2007 to 3 485.82 Euro in 2015.

### **5. Conclusion**

The European Union's policies regarding the education are more complex and holistic. In Romania the interest exists on the development of the human capital and the Government is making efforts to manage the human capital in order to increase the labour market performance. Although the major analysed indicators improved and despite the large amount of measures, policies and programmes were implemented, it remains challenging for Romania to reduce the early school leaving rate, to set up reforms in vocational education and training and to improve the labour market relevance of tertiary education. Romania is making limited progress on education reform, and has delays in implementing elaborated strategies and programmes. Romania needs to focus to develop systems and reforms to ensure quality education and to create bridges between the educational system and the world of work. New innovative and tailored measures need to be applied in order to decrease the early school leaving rate.

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