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**REFERNET**

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Both Ministry of Labour and Ministry of Education and Research emphasized during the last years on topics like assessing skills need and transition from school to work, due to **the need of assessing the quality of VET and to provide information to decision makers in planning both initial and continuing VET.**

In 2000, Romanian National Institute for Statistics carried out an ad-hoc module to the Household Labour Force Survey on “Youth transition from school to work”. A remake of this module was carried out, but the results are going to be released no sooner than the end of 2009. In this context, most important research studies related to “School-to-work, career and job transitions” in Romania remain disparate ad-hoc surveys carried out by few research institutions, mainly as pilot research studies for the Ministry of Education.

**Not many studies are carried out on transitions, for e.g. from activity to inactivity and vice versa, between different occupational statuses,** because access of researchers to micro data collected and administrated by National Institute for Statistics is still not properly regulated. So researchers practically have to develop each time a specific survey or statistical investigations for topics above and this leave no room for trend analyses, impact assessments or comparative studies.

Significant research endeavours were focused on designing methodological approaches considering the expertise of other EU-15 countries with longer experience in issues mentioned above. **One of the most important limits of these surveys is that methodology was changed/ improved every time, so no series can be sketched.** Also, **none of these has a regular character and a constant financial resource.**

When it comes to benefits of education and financing mechanisms, research studies carried out in Romania usually have a pure descriptive character. Apart from the assessment of labour market policies carried out at national level, all over studies on the monetary and/or social benefits of VET and improving financing mechanisms were carried out by or even under the technical assistance provided by different international financing institutions/organizations.

Financing mechanisms of initial VET was often a subject of debate strongly linked with under-financing of education system, low quality of education and decentralization.

# Benefits of Education and Training

Main topics related to the benefits of education and training investigated in Romania refer mostly to its economic benefits and monetary returns. Thus, research studies carried out on effects of training focus on: impact of active labour market policies on employment and wages, effects of education on poverty risk and effects of education on employment.

As the methodologies employed are different for each scientific exercise, we will present them accordingly to the bibliographic sources identified. Also, we have to point again that none of this exercises was carried out on a regular bases.

## 1. IMPACT OF ACTIVE LABOUR MARKET PROGRAMS IN TRANSITION ECONOMIES<sup>1</sup>

The research study aims to assess the impact of the training component of the active labour market programs on employment. The methodological approach is based on the propensity score matching technique which permits comparing outcomes for two groups: one group of individuals who attended training programs organised by the public employment agencies and one control group. Due to anticipation of a low response rate, all individuals who registered at the County Agency for Employment in Brasov and participated to training programs between 1<sup>st</sup> of January 2001 and 1<sup>st</sup> of July 2002 were investigated, representing a group of 500 subjects. Data was collected in March 2004 via face-to-face interviews. Only 253 of total participants to training responded to the survey and constituted the investigated sample. Additionally, a second sample of non-participants to training was selected among individuals who registered in the same period to the County Agency for Employment in Brasov. The comparison sample included 349 individuals who responded to the same questionnaire as those participating to training.

**Results show that participation in training programs had a positive and significant impact on employment.** In fact, participants to training registered a probability of being employed at the moment of the survey higher with 15 percent points and a probability of being employed in 2002-2003 higher with 13.9 percent points. Additionally, results of the impact analysis indicate a positive effect on probability of being unemployed in 2002-2003. The impact of training on probability of being employed at the moment of the survey reached 17.2%, while the impact on probability of being employed in 2002-2003 was 16.8%. **On the other hand, participation to training had a negative impact on the monthly wage at the moment of the survey.**

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<sup>1</sup> Research study - Impact of active labour market programs in transition economies (*ro. Impactul programelor active de ocupare in economiile aflate in tranzitie*), Vasilica Ciuca and Raluca Branza, National Research Institute for Labour and Social Protection Romania, 2006

### Impact of participation in the training program

	Participants	Non-participants	Difference	Impact
Probability of being employed at the moment of the survey	73.9%	58.9%	15%	17.2%***
Probability of being employed in 2003-2003	76.7%	62.8%	13.9%	16.8%***
Probability of being unemployed in 2002-2003	40.7%	58.1%	-17.4%	-18%*
Wage	38.3%	61.7%	-23.4%	-7.3%*

\*\*\*significant at 1%, \*\*significant at 5%,\*significant at 10%

Source: Impact of active labour market programs in transition economies, National Research Institute for Labour and Social Protection Romania, 2006

Moreover, **the calculated impact of training on employment was weaker for men and more important for women.** This result was obtained for both the probability of being employed at the moment of the survey and in 2002-2003. By age, **participation to training had a stronger positive impact for individuals aged 24 years or less and 35-44 years and a weaker effect for individuals aged 25-34 years** (for individuals aged 45 years and more the impact couldn't be calculated due to small number of cases). Also, the impact of training varies with the education of the subjects. **Participation to training had a positive impact for individuals with low and medium education and a negative one for those with higher education.** On the other hand, the impact was stronger for individuals with working experience of 10 years and more or less than 1 year.

## 2. IMPACT OF ACTIVE LABOUR MARKET PROGRAMS ON THE ROMANIAN LABOUR MARKET<sup>2</sup>

The current study aimed to assess the efficacy of the active labour market programs in Centre and North-East regions. Selection of the regions was based on level and nature of unemployment and on the requests of the beneficiary, namely the National Agency for Employment. In fact, the Centre region was chosen due to massive lay offs in the period of the investigation and the North-East due its high unemployment rate.

The methodological approach aims at assessing the net impact of active labour market programs and is based on the propensity score matching technique. Impact was estimated in relation to four active measures: training, business start up consultancy, stimulating labour mobility and subsidised employment (fixed term employment). For each of the two analysed regions, two groups of subjects were selected: one with participants and one with non-participants to the active labour market programs. Totally, 1021 individuals were investigated in North-East region and 1154 in Centre region.

In both investigated regions, **the impact assessment indicate that all the analysed active labour market programs had a significant positive impact on the probability of being**

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<sup>2</sup> Research study - Impact of active labour market programs on the Romanian labour market (*ro. Impactul programelor active de ocupare pe piata muncii in context socio-economic romanesc*), Vasilica Ciuca, Aniela Alexandrescu and Andra Bertha Sanduleasa, National Research Institute for Labour and Social Protection Romania, 2006

**employed in 2004 and at the moment of the survey, except for the subsidised employment program which registered a significant negative impact. Moreover, training and stimulating labour mobility programs had a stronger impact for men, while business start up consultancy registered a stronger effect in the case of women.**

Also, results show that **non-participants to the subsidised employment program from both regions are more likely to be long term unemployed at the moment of the survey as against the participants.** In Centre region, **participation to business start up consultancy and stimulating labour mobility have a positive impact on wage levels**, while beneficiaries of subsidised employment are more likely to have low wages.

### **3. EFFECTS OF EDUCATION ON POVERTY RISK<sup>3</sup>**

This report represents the joined work of the World Bank, Romanian Ministry of Labour and Romanian Institute for Statistics, aiming to monitor the level and profile of poverty in Romania. It tries to assess the impact of good years of economic growth on poverty indicators, as well as to identify the nature and location of those “hard to reach” pockets of poverty.

Since 2000, years of rapid economic growth has determined an important decline in absolute poverty, from 35.9% in 2000 to 13.8% in 2006. Also, Romania has displayed a moderate level of inequality which is comparable with average level of inequality of EU-25 and EU-15. However, despite this positive evolution, deep pockets of poverty still remain. Thus, **those from rural areas, Roma, youth, those with low education, unemployed and self employed are much more likely to be poor. So, low education continues to determine a higher risk of poverty.**

Analysis clearly demonstrates that, in Romania, **education is one of most powerful correlates of welfare.** Thus, the risk of poverty declines significantly with more schooling. It reaches near zero for individuals with higher education. In fact, 70% of total poor adults have graduated at most 8 grades. Highest poverty risk is displayed by those with no formal education.

Interestingly, vocational school graduates had a much higher incidence of poverty than individuals who graduated general high school. This finding seems to show that graduates of the vocational school experience difficulties on the labour market, respectively in obtaining a job or an adequate wage level.

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<sup>3</sup> Research report - Romania: Poverty monitoring analytical and advisory assistance program, World Bank, 2007

### Poverty rate by education level (%)

	2003	2006
higher education	2.0	0.7
post-secondary or foremen's school	5.2	1.2
Highschool	13.3	6.1
vocational/apprentice	23.4	11.1
middle school (grades 5-6)	33.8	20.1
primary school (grades 1-4)	40.5	25.9
no formal schooling	59.0	43.5

Source: Research report - Romania: Poverty monitoring analytical and advisory assistance program, World Bank, 2007

A multivariate analysis was performed in order to assess the effect of various factors on consumption level, respectively on poverty risk. The dependent variable in the regression model is (log) consumption per equivalent adult. As compared to the graduates of vocational school, **those with middle, primary or no school at all display a lower consumption level, while those with high school, post-secondary and higher education have higher levels of consumption.** In fact, graduates of higher education register a 43% gain in consumption as against individuals with vocational school. On the other hand, those with primary or no education display a loss of 22% in the consumption level. Moreover, as compared to 2003, the relationship between education and welfare became stronger in 2006.

#### 4. EFFECTS OF EDUCATION ON EMPLOYMENT<sup>4</sup>

The paper focuses on the influence of labour market regulations, aging and education on poverty and employment outcomes (including labour force participation, long term unemployment and labour mobility). In spite of the steady economic growth (during 2000-2008), Romanian labour market is far from being efficient and display serious deficiencies which have to be addressed by public policies. Such policies include education reforms oriented toward enhancing life long learning, on-the-job training and toward reforms of the vocational education.

Longitudinal data show that better educated individuals are less likely to be poor. Moreover, households headed by graduates with low or no education have a smaller probability to move out of poverty in a three-year period than the others. For 2006, in urban areas, individuals with tertiary education have earnings 55% higher than those who completed basic education or less. However, individuals from rest of the educational groups have much lower “gains” as against those with basic education or less. For example, for 2006, multivariate analyses pointed out that both those with general secondary education and specialised secondary education, were earning only 16% higher than those with basic education or less. What has to be underlined is that the capacity of urban Romanian economy to generate returns of education on incomes remained in fact the same during 1998-2006.

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<sup>4</sup> Research report - Romania: Poverty monitoring analytical and advisory assistance program: Labour market vulnerabilities, World Bank, 2008

### Returns to schooling in urban Romania

	1998	2003	2004	2005	2006
Returns to different levels of schooling (comparison group is basic education or less)					
General secondary	0.180***	0.120***	0.159***	0.182***	0.167***
Specialised secondary	0.149***	0.099***	0.131***	0.152***	0.159***
Tertiary	0.537***	0.431***	0.451***	0.536***	0.545***
Observations	17,064	17,510	20,755	20,501	20,332
R-squared	0.30	0.23	0.21	0.21	0.21

\*\*\*significant at 1%

Source: Research report - Romania: Poverty monitoring analytical and advisory assistance program: Labour market vulnerabilities, World Bank, 2008

With respect to the sector of employment, **more education increases the probability of being employed in the service sector, while it decreases the likelihood of being employed in the agriculture sector. Higher level of education is associated with higher probability of being employee.** Another important finding is that individuals with higher education have lower probability of being unemployed or out of the labour force, as compared with the reference category: those with none or less than basic education.

Moreover, impact of education on labour force participation varies with gender. **For women, graduating tertiary education is associated with a significant reduction of the probability of being out of the labour force.** However, lower levels of schooling have no influence on the likelihood of being out of the labour force for them.

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