

## Analysis of the Tertiary Sector in Romania

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### Abstract

*The service sector has a very important role in an economy, because this sector contributes to the economic development of society by ensuring economic growth, creating jobs for the population and last but not least meeting the multiple needs of people.*

*The development of a country is closely linked to the tertiary sector, because at present an economy cannot function without the existence of services.*

*In the case of Romania, the transition to a market economy was an opportunity for the development of the tertiary sector. However, the analysis of data on the Romanian tertiary sector indicates an average level of development. Underfunding of certain services from the state budget such as education services and health services indicates an inadequate strategy used for the development of the tertiary sector in Romania, with long-term negative effects.*

**Key words:** tertiary sector, services

**J.E.L. classification:** L80

### 1. Introduction

Services, regardless of their typology, have an existential role in an economy, because they generate satisfaction of the motivations of the parties involved, namely: providers, consumers and society.

The tertiary sector is a barometer of the economy. Thus, depending on the development of this sector, it can be assessed whether a country is developed or not. A developed tertiary sector indicates a developed and modern economy.

### 2. Theoretical background

The tertiary sector or the services sector is that sector of the economy which comprises all the activities from which intangible goods result.

In Black's view, that part of the economy that provides services, is materialized in the service industry. Service industries are collectively referred to as the tertiary sector, and are an increasing part of total activity in advanced economies (Black, 1997, p.424).

The Concise Oxford Dictionary defines tertiary industry as economics the service industry of a country (1999, p.1481). The tertiary sector includes all activities that do not occur in the primary and secondary sectors (Zamfir, A., 2011, p.60).

In Ioncica's conception, services represent a human activity, with a specialized content, resulting in useful, immaterial and intangible effects intended to satisfy a social need (Ioncica, 2003, p.13-p.14). Kotler considers that services are activities, advantages or satisfactions offered for sale and are characterized by intangibility, inseparability and perishability (Kotler, 1997, p.547).

In the service industry, the quality of service is the most important competitive element (Cetina *et al*, 2009, p.31). The quality of services depends closely on human resources because the workforce is essential in the tertiary sector.

Consequently, in order to provide a service, there must be:

- Human resource specialized in providing the respective service;
- The technical-material base corresponding to the provision of the respective service;
- The presence of the customer as a consumer.

### 3. Research methodology

The research and analysis of the services sector in Romania is based on statistical data regarding the population employed in services, the importance of this sector to economic growth and at the same time on the data about financing from the state budget of non- market services.

### 4. Tertiary sector in Romania

At present, a country is considered developed if it has a developed service sector. In other words, in that country, the tertiary sector must have the largest share in the gross domestic product and, at the same time, the population employed in the services sector must be the majority.

*Table no. 1 Employment by sectors of the economy in Romania, in the period 2014 - 2017 (thousands of people)*

Sector of activity		Year			
		2014	2015	2016	2017
<b>TOTAL</b>		8634,6	8525,7	8429,6	8631,2
of which	<b>Primary</b>	2528,4	2251,1	2009,5	2015,8
	<b>Secondary</b>	2471,0	2415,2	2507,5	2585,1
	<b>Tertiary</b>	3635,2	3859,4	3912,6	4030,3

Source: National Institute of Statistics, [www.insse.ro](http://www.insse.ro)

Analysis of the data from Table no. 1, regarding the employed population by activity sectors in Romania, in the period 2014 - 2017, indicates the following aspects:

- Between 2014 and 2017, the primary sector lost over 512 thousands employees
- In the second sector of the Romanian economy there was an increase of workforce of over 114 thousand
- The population employed in the services sector registered an increase of over 395 thousand people, which indicates an upward trend recorded by this sector of the economy.

*Table no. 2 Employment by sectors of the economy in Romania, in the period 2014 – 2017 (percentage)*

Sector of activity		Year			
		2014	2015	2016	2017
<b>TOTAL</b>		100	100	100	100
<b>of which:</b>	<b>Primary</b>	29,3	26,4	23,8	23,4
	<b>Secondary</b>	28,6	28,3	29,7	29,9
	<b>Tertiary</b>	42,1	45,3	46,5	46,7

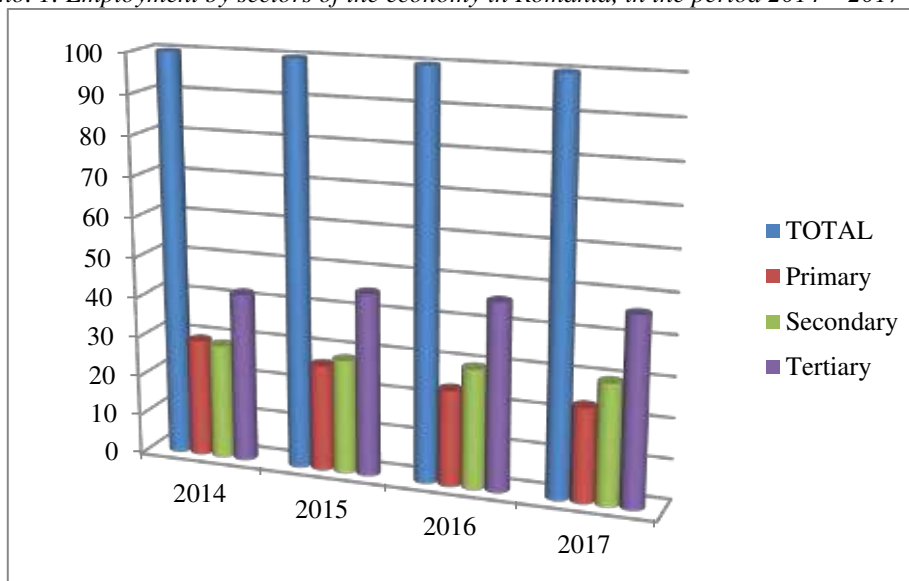
Source: National Institute of Statistics, [www.insse.ro](http://www.insse.ro)

As can be seen in Table no. 2, the distribution of the employed population, by activity sectors of the Romanian economy, between 2014 and 2017, presents the characteristics of a developing economy.

The same aspects are highlighted by the data represented in Figure no. 1.

The socialist economy existing in Romania before 1990, based on an aggressive policy of industrialization, generated a high share of the population employed in agriculture and industry.

Figure no. 1. Employment by sectors of the economy in Romania, in the period 2014 – 2017 (percentage)



Source: realized by author, based on data provided by National Institute of Statistics, [www.insse.ro](http://www.insse.ro)

After 1990, the surplus of labor in industry was not redistributed to the service sector but to agriculture.

Table no. 3 The contribution of economic activities, by sectors of activity to the creation of GDP, in Romania in the period 2014 – 2018 (percentage)

Gross domestic product		Year				
		2014	2015	2016	2017	2018
		100	100	100	100	100
of which:	Primar	4,7	4,2	4,0	4,3	4,4
	Secundar	31,6	29,9	30,06	28,9	28,3
	Tertiar	63,7	65,9	65,9	66,8	67,3

Source: National Institute of Statistics, [www.insse.ro](http://www.insse.ro)

Analysis of the data from Table no. 3, highlights the participation of the services sector in Romania's economic growth, in terms of gross domestic product.

Thus, the services sector contributed by over 63% in 2014 and by over 67% in 2018, which represents an increase of over four percent. These weights of the services sector in the creation of gross domestic product indicate the majority contribution of this sector. But, this contribution is insufficient to consider the Romanian economy a developed and modern economy.

The decrease in contributions to GDP, of the primary sector from 4.7% to 4.4% and of the secondary sector from 31.6% to 28.3% - which indicates a low productivity in the first two sectors of the economy - had as a consequence the increase of the contribution of the services sector.

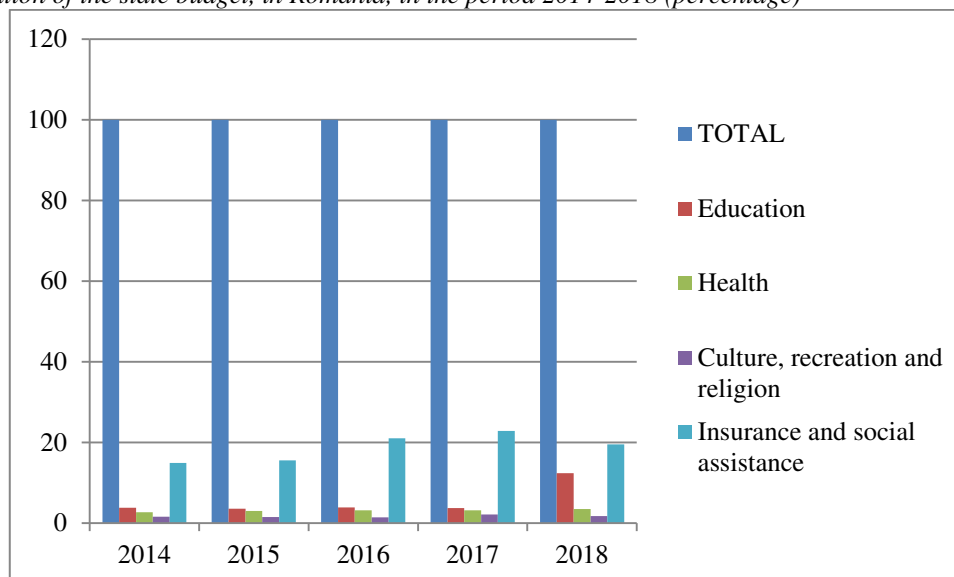
Table no. 4 Execution of the state budget in Romania in the period 2014 – 2018 (percentage)

Indicators name	Year				
	2014	2015	2016	2017	2018
EXPENDITURE - total	100	100	100	100	100
General public services	37,8	38,5	35,6	29,3	24,5
Defence, public order and national security	17,6	17,8	16,5	17,9	17,8
Social-cultural expenditure	23,2	23,7	29,5	31,9	37,2
Services and public development, dwellings, environment and waters	4,9	5,6	4,8	2,6	3,4
Economic activities	16,5	14,4	13,55	18,3	17,1

Source: National Institute of Statistics, [www.insse.ro](http://www.insse.ro)

The analysis of the data from Table no. 4, registered in Romania, from the point of view of the expenditures made, indicates (see also Figure no. 2), an increase of the share of socio-cultural expenditures by 14 percent in 2018 compared to 2014. This increase is not due to a high level of development of the Romanian economy, but is based on the increase of expenditures made with salaries for human resources in this sector.

Figure no. 2. The share of expenditures on socio-cultural services in the total expenditures regarding the execution of the state budget, in Romania, in the period 2014-2018 (percentage)



Source: realized by author, based on data provided by National Institute of Statistics, [www.insse.ro](http://www.insse.ro)

The structure of expenditures for socio-cultural services is presented in Table no. 5. The analysis of these data shows the following conclusions:

- In 2018, compared to 2014, the expenses with socio-cultural services increased by 38234 million lei, respectively by 143%. This increase is mainly due to the increase of salary expenses in the field of education and health.
- Spending on education services increased by over 388% in 2018 compared to 2014.
- There have also been positive developments in the case of health and social assistance services
- Expenditures on cultural services registered a slight decrease in 2018 compared to 2014.

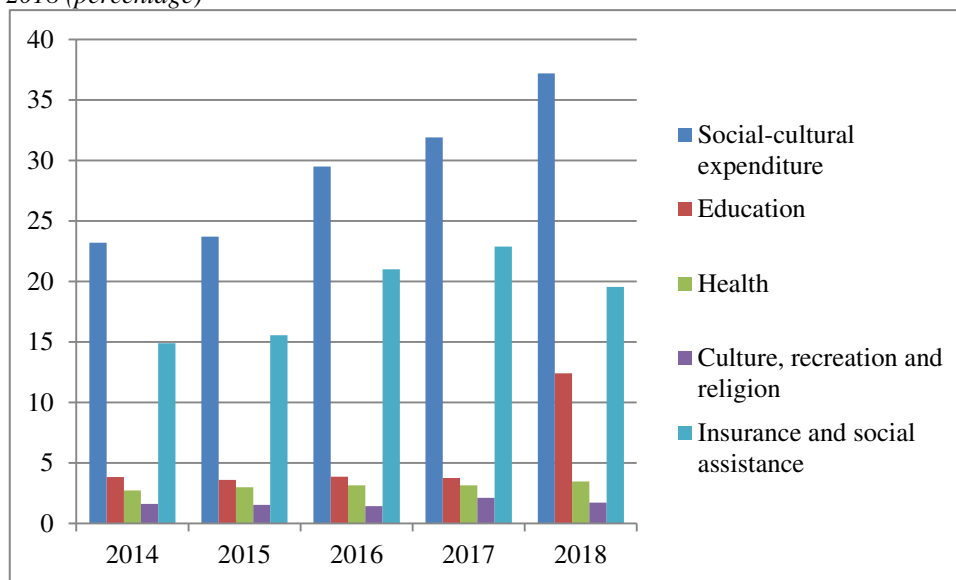
Table no. 5 Execution of the state budget in Romania in the period 2014 – 2018 - Social-cultural expenditure (lei million)

Indicators name		Year				
		2014	2015	2016	2017	2018
<b>EXPENDITURE TOTAL</b>		115615,9	125215,8	130083,1	144418,7	174674,2
Social-cultural expenditure	Total	26679	29666,2	38343,9	46102,4	64913,4
	of which					
	Education	4442,4	4491,9	5040,1	5430,2	21719,5
	Health	3143,6	3758,5	4086,6	4537,1	6060,0
	Culture, recreation and religion	1871,4	1919,8	1876	3081,3	2991,0
Insurance and social assistance	17221,6	19496	27341,2	33053,8	34142,9	

Source: National Institute of Statistics, [www.insse.ro](http://www.insse.ro)

Although they had increases in spending on education and health services, the analysis shows that the highest share of total spending on socio-cultural services has insurance and social assistance services which reflects the low level of development of Romania (see Figure no. 3).

Figure no. 3. The share of expenditures on education, health, culture and social assistance services in the total socio-cultural expenditures regarding the execution of the state budget, in Romania, in the period 2014-2018 (percentage)



Source: realized by author, based on data provided by National Institute of Statistics, [www.insse.ro](http://www.insse.ro)

This aspect is also highlighted by the share of expenditures on education and health services in the total expenditures aimed at the execution of the Romanian state budget (see Figure no. 2).

Thus, in the case of education services the share of expenditures with these services was up to 4%, except for 2018 when the share of education services increased to 12.4%. In the case of health services, the share of expenditures with these services was up to 3.5% during 2014-2018, which indicates a weak development of education and health services.

## 5. Conclusions

Currently, in Romania the tertiary sector is insufficiently developed and the analysis of indicators specific to this sector, namely the employed population and the contribution to the creation of GDP, indicates an economy that is not specific to countries with a modern and developed economy.

Expenditures on education and health services indicate a low level of development of the services sector in Romania, due to underfunding, both in terms of investments in the technical material base and in human resources, which in the long run will have a negative effect on Romanian society.

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