

The Services Sector and Employment in Romania

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Abstract

The services sector encompasses all activities in the economy that result in goods in non-material form that satisfy people's basic needs. Without the existence of services an economy cannot function, so today the services sector is a fundamental, primordial sector within an economy.

The services sector plays a fundamental role in employment, as this sector is a barometer that indicates the level of development of an economy, and at the same time it is in this sector that the employed population has the largest share.

In Romania, the service sector has grown continuously and in this way has been a solution for employment and for reducing the high unemployment caused by industrial restructuring.

The aim of this paper is to examine the relationship between the service sector and employment and to highlight the role of this sector in reducing unemployment and increasing employment.

Key words: services sector, employment

J.E.L. classification: L80, L83

1. Introduction

By continuously diversifying the service sector, new jobs are created and in this way this sector absorbs the surplus labour force existing in an economy. The share of employed labour in the economy is an important indicator of the degree of development of the services sector in the economy.

2. Theoretical background

Employment as a concept has been debated for a long time in the literature, generating many contradictions, because in a society the issue of employment is complex and highly regulated.

Thus, the employed population is considered the actual producer of goods and services, being the expression of labour demand on the labour market (Mihaescu, 2001, p.166). Employment is closely linked to the labour market as it is the result of the interaction between labour supply and demand. In reality, the labour market is a market in which state intervention has always been massive in terms of regulations on employment, working conditions, remuneration of labour, all of which are influenced by the action of trade unions (Tsoukalis, 2000, p.118).

Employment in services has certain particularities precisely because of the non-material nature of services. Thus, in some activities such as tourist services, which are closely dependent on natural factors, employment is highly seasonal, which creates major problems for employees and employers alike.

Of course, the concept of the employee must be taken into account when addressing employment issues. In *Principles of Economics*, Frank&Bernanke consider that "a person is employed if he or she worked full-time or part-time during the past week or is on vacation or sick leave from a regular job" (Frank&Bernanke, 2001, p.474). In other words, the status of employed person, according to this definition, is a broad concept because it implies a minimum amount of work over a minimum period.

In services, this creates major problems with the labour force, as services are closely linked to the person providing the service, and in these circumstances, as the employed person does not have continuity at work, the provision of the service has a negative impact on the quality of the service provided. In addition, work in the underground sector of the economy is multiplied, leading to an official increase in unemployment.

The service sector currently plays an important role in employment because it is the real engine of an economy, functioning as a true service industry. In *A Dictionary of Economics*, Black considers that "service industry represents the parts of the economy providing services" (Black, 1997, p.424). Hence the major role that the service sector plays in an economy in terms of employment, although services have not been considered for a long time in economic thinking.

3. Research methodology

Employment is an important indicator to show the level of development of the service sector in Romania.

Therefore, the statistical analysis of official data provided by the National Institute of Statistics is the main method to identify employment trends in Romania and to identify the role of the service sector in employment and thus in the economy.

4. Findings

In Romania, since 1990, there have been profound changes in the structure of the employed population by sector of activity. While before 1990 the majority of the population was employed in industry and agriculture, after 1990 the share of the population employed in the services sector began to increase, which highlights the importance of this sector in the Romanian economy.

Table no. 1 Employment in the service sector in Romania, in 2012-2021

Year	Total		Of which: in the service sector	
	Number (thousands of persons)	%	Number (thousands of persons)	%
2012	8605	100	3463	40,2
2015	8535	100	3771	43,8
2017	8671	100	3902	45,0
2020	7691	100	4071	52,9
2021	7755	100	4129	53,2

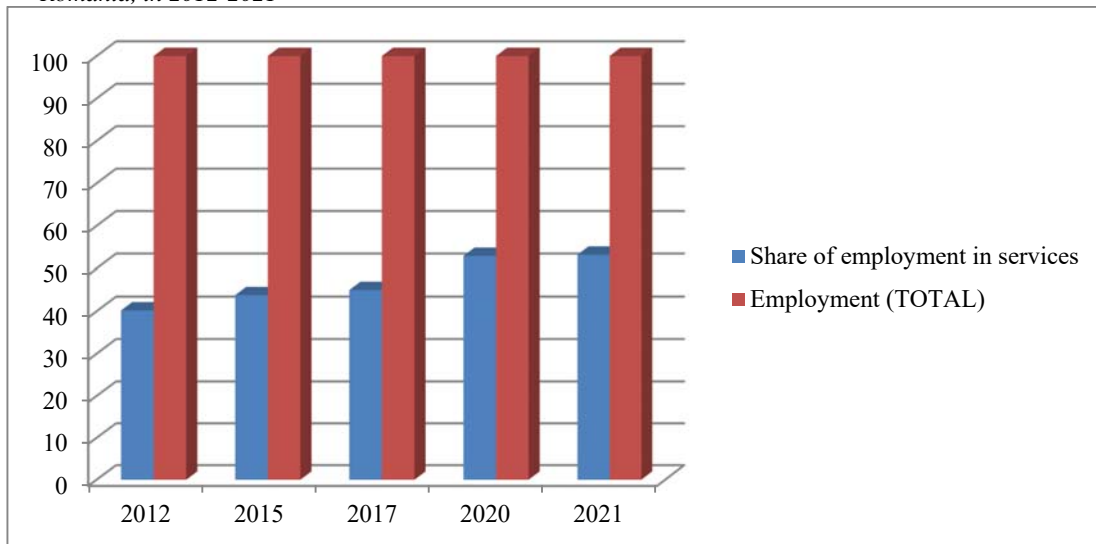
Sources: (National Institute of Statistics, 2022)

The analysis of the data in Table 1 shows the evolution of the employed population in Romania in the period 2012-2022, but also in the service sector, namely:

- In 2021, compared to 2012, there was a reduction in the population employed in Romania's economy from 8605 thousand to 7755 thousand people, i.e. a reduction of almost 10%.
- This decrease is due to a reduction in the active population, due to an increase in the number of people leaving the labour market and a decrease in the number of people entering the labour market, as well as an increase in the number of people going abroad to work.
- The population employed in the services sector has continuously increased, from 3463 thousand people in 2012 to 4129 thousand people in 2021, which indicates a reverse trend compared to the population employed in the Romanian economy
- The share of the population employed in the services sector (see Figure 1) in the total employed population in the Romanian economy has continuously increased in the period 2012-2021 from 40.2% to over 53%. This phenomenon demonstrates the major role that the services sector plays in employment and implicitly in the Romanian economy.
- The fact that the share of the population employed in services has increased to over 53% shows that the services sector is booming. However, in Romania, the services sector is not specific to a modern economy, because in developed economies the population employed in this sector

exceeds 80%. But the fact that this share has increased from less than 20% in 1990 to more than 53% in 2021 indicates the consolidation of this sector in the Romanian economy.

Figure no. 1. Share of population employed in services sector in the total employed population in Romania, in 2012-2021



Source: Table no.1, National Institute of Statistics, www.insse.ro

As regards the structure of the employed population by type of service, certain aspects emerge from the analysis of the data in Table 2 and Figure 2 respectively.

Table no. 2 Employment in Romania in the service sector, by types of services, 2012-2021(thousands of people)

Services	2012	2015	2017	2020	2021
Wholesale and retail trade; repair of motor vehicles and motorcycles	1094	1149	1207	1310	1369
Transport and storage	405	475	492	518	544
Hotels and restaurants	172	186	203	207	197
Information and communications	147	173	187	193	198
Financial intermediation and insurance	127	105	116	108	106
Real estate transactions	15	22	15	19	18
Professional, scientific and technical activities	158	185	215	213	217
Administrative and support services	150	204	206	221	206
Public administration and defence; public social security	437	442	424	431	408
Education	346	355	364	355	366
Health and social assistance	357	388	407	424	436
Performing, cultural and recreational activities	55	57	66	72	64
Employment - TOTAL	8606	8535	8671	7691	7755

Sources: (National Institute of Statistics, 2022)

- Although the population employed in Romania's economy decreased by 10% in 2021 compared to 2012, some services saw an increase in the number of people employed (in trade there was an increase of over 25%, in transport services over 34%, in the hospitality industry increased by 14%, in administrative services by 37, in health by 22.1%, and in the information and communication sector by 30 4.6%).

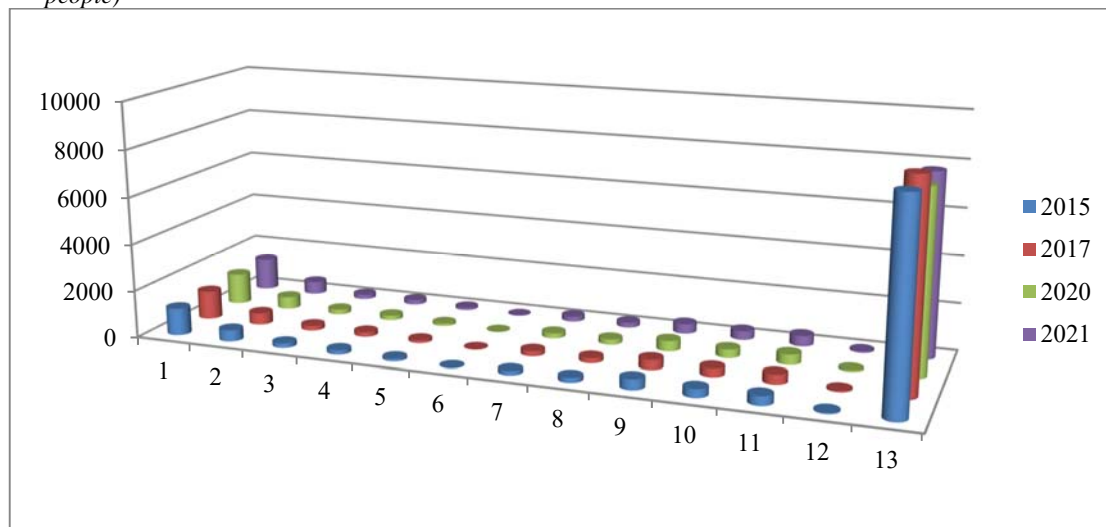
- These increases are specific to both the public service sector and the private sector, highlighting public employment policies but also economic efficiency in certain private sectors of the economy where employment increases or decreases.

- In the case of certain services, a decrease in the employed population can be observed, for example in the case of financial intermediation and insurance services there has been a reduction of 16.5%. This reduction indicates the substitution of workforce by technical capital due to the digitalization of the services sector as well as due to the provision of services by the consumer, which leads to a reduction of the employed population in various services.

- It should be noted that there are services that are of particular importance to a country such as education services. In Romania, the share of the population employed in education services in the total population employed in the economy was between 4% and 5% in the period 2012-2021, which highlights the insufficiency of the population employed in this service sector due to the poor financing of this service.

Employment in the Romanian service sector is strongly affected by the shortage of employees, whether in public or private services. This shortage is due either to inadequate demographic policies in Romania or to inadequate wages, which amplifies the phenomenon of Romanian labour migration to other EU countries or outside the EU.

Figure no. 2. Employment in Romania in the service sector, by types of services, 2012-2021(thousands of people)



Source: (National Institute of Statistics, 2022)

The increase in the degree of digitalization and computerization of the service sector as an effect of the Covid 19 pandemic, has led to an increase in the number of people employed in the IT services sector on the one hand, and on the other hand, has led and continues to lead to a reduction in the population employed in various services as economic activities, such as financial and insurance services, tourism services, trade.

The labour shortage in the services sector in Romania has led to increases in the flow of foreign labour to Romania, the increase in the technological and computerisation of certain services and the determination of service consumers to provide part or all of the service they consume.

5. Conclusions

In Romania, the service sector is expanding because the population employed in this sector has exceeded 50% of the total population employed in the economy.

There is a close interdependence between employment and the services sector because it is the service workforce that is in direct contact with the consumer of services and the lack of labor affects the quality of the services provided. At the same time, services play an important role in employment because it is only through the development of the services sector that we can achieve what is a modern and highly developed economy.

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