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UNEMPLOYMENT AND POLICIES IN ROMANIA

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Introduction

This paper has two purposes: first, to redress many of the existing gaps in information about Romanian unemployment and, second, to analyze policies targetted to assist the unemployed. The first two sections provide a detailed report on the characteristics and dynamics of unemployment in Romania. In the first, the million or so unemployed in Romania are disaggregated along demographic and economic dimensions to portray the magnitude, the incidence, and the origins of the problem. The dynamics of unemployment are the topic of section 2, including the evolution of unemployment characteristics since early 1991, the time series behavior of the flows of workers among branches, sectors, and labor market states, and the determinants of the duration of unemployment for individuals. Section 3 contains an analysis of the unemployment insurance, extended benefit, and active labor market policies, including training programs and wage subsidies in place as of September 1993, the time of this writing.

As in many post-socialist economies struggling to adapt to rapid changes, information concerning the new phenomenon of open unemployment is small in quantity and poor in quality. Results from the first labor force survey have only recently been made available, and the survey is missing several variables important to researchers (earnings, for instance). Official unemployment data come entirely from the registration of individuals at local labor offices. The Ministry of Labor and Social Protection (MLSP) provides some aggregate classifications each month, which, although useful, are limited to a few basic dimensions and allow few inferences concerning the origins, causes, and incidence of unemployment to be drawn. The National Commission for Statistics (CNS) collects quite a bit of information concerning employment and wages from enterprises in the state sector, but little of it has been brought to bear on the problems of understanding unemployment.

Although this inquiry exploits whatever material the MLSP and CNS provide, often also adjusting or recombining it as necessary or appropriate, the chief source of data in the paper is a Survey of Registered Unemployed (SRU). The SRU was conducted on a 1.5 percent sample of all registered unemployed in August 1993 by the Labor Research program of the Central European University Privatization Project in cooperation with the MLSP. It redresses many of the deficiencies in existing data and permits a much more complete picture of unemployment and of the effects of labor market policies in Romania.

1. Characteristics of Unemployment in Romania

Although it rose rapidly in 1992, open unemployment in Romania levelled off during the first half of 1993, at least temporarily, and the current rate of just under 10 percent remains
among the lowest of Eastern Europe. Nonetheless, the post-1989 tumbles in output and productivity have been particularly precipitous in Romania, and there is reason to believe that the branch structure and overall allocation of resources remain extremely distorted; thus, unemployment is widely expected to rise dramatically again in the future. An analysis of current characteristics of unemployment, besides contributing to an understanding of the role of unemployment and of labor market policies in the restructuring process so far, may also provide some basis for forecasting future trends in both the aggregate level and the composition of unemployment.

As mentioned in the introduction, however, official data on unemployment come only from registration with local offices of the Ministry of Labor. The Ministry and the local offices have entirely new tasks since the beginning of the economic reform and must try to cope under the strain of a rapidly expanding caseload of ever more desperate unemployed, thus it may be understandable that information collection is not their first priority. Nonetheless, it is important to recognize two major deficiencies in the data they provide (in addition to the inherent problems of using registration data rather than conducting a survey of households).

First, the Ministry reports regularly only the total number of unemployed and the number in a few basic categories: sex, age groups, counties (judet), broad educational ("socio-professional") groups, and disaggregated occupations. Many other characteristics, particularly those involving origins and reasons, are also critical for a full assessment of unemployment. Second, registration data concern only absolute numbers and the composition of unemployment, but allow no evaluation of incidence. Yet it is crucial to know not only who accounts for most of unemployment, but also in which groups unemployment is particularly concentrated. The Ministry computes only an aggregate unemployment rate, dividing the number registered by an annual estimate of "active population," and provides breakdowns only by composition and not incidence.

The project on which this paper reports attempts to solve or at least significantly alleviate both of these problems. Regarding the first, the Survey of Registered Unemployed (SRU) provides much more detailed characteristics of unemployed individuals and allows an explicit examination of individual behavior, including the origins and causes of unemployment. The questionnaire was completed by over 15,000 individuals (1.5 percent of the unemployed) on a geographically representative basis (proportionately from each of 190 labor offices) in August 1993, and is broadly representative of the population described by the MLSP statistics along

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These two sets of factors are reviewed in Earle and Oprescu (1993) and Earle and Sapatoru (1993), respectively.
the limited number of dimensions which can be compared.\textsuperscript{4} It also included questions on search behavior, usage of time, willingness to switch occupations, and other topics.\textsuperscript{5} Second, this paper combines figures on the number unemployed from both the SRU and MLSP with employment and labor force figures from a wide variety of sources within the CNS to generate rates of unemployment for many demographic and economic categories.

To summarize the results: women, youths, skilled workers, persons of medium education, former employees of state-owned commercial companies in industry, job losers, and new entrants dominate Romanian unemployment. Tables 1 to 7 show the composition, rate, and average duration of unemployment by sex, age, education, occupation, industry (branch), and property form of former job, and reason. "Count" indicates the number of unemployed in the sample of the SRU in the given category. "Percentage" refers to the composition of the unemployment pool. And "mean duration" is the measure, in months, of the average duration of unemployment for the indicated group.

As in many other transition countries, the unemployment rate of women is much higher than that of men; but in Romania it is nearly double. However, this is not due to a high rate of re-entrants among women, which accounts for very little of unemployment; rather, the differential is the result of higher layoff and new entrant rates.

Youths account for a large proportion of unemployed, but the unemployment rates in Table 2 are reported for the first time.\textsuperscript{6} The unemployment rate for teenagers is astonishingly high, and it is also notable that workers in their late twenties have a much higher rate than do those in their early twenties. This is still more puzzling in light of Romanian demographics: a factor that would have seemed to push in the opposite direction is that current 26 year olds are members of the vanguard of the Romanian baby boom, begun after Ceausescu banned abortion and most forms of contraception in late 1966. The birthrate nearly doubled in 1967 and only fell very gradually thereafter.

Information from the CNS concerning employment by education exists only on a very limited basis: for the same three groups as defined by the MLSP. But the unemployment rates in Table 3 are calculated and presented for the first time. It is remarkable that secondary school graduates have by far the highest unemployment rate. Both unskilled and low-skilled workers and university graduates are faring much better, at least in this dimension of labor market performance. A possible explanation of this phenomenon is the high degree of specific

\textsuperscript{4}The SRU has slight over-representation of university-educated individuals and of younger people, which we may conjecture is due either to their greater ability and willingness to respond or to problems in the Ministry's data.

\textsuperscript{5}Catalin Pauna contributed substantially to the design and organization of the survey.

\textsuperscript{6}The MLSP does not gather unemployment statistics for teenagers separately, nor does it calculate rates.
training of medium skilled workers, slowing their ability to adjust to changing labor market conditions. Table 4, however, shows that unskilled workers have the highest unemployment rate, although skilled workers and administrative staff also have very high rates.

Table 5 shows "experienced unemployment" by branch, defining the relevant branch labor force as the sum of current employment in the branch plus those unemployed whose previous job was in the branch. These figures have, to our knowledge, never been calculated in Romania, and they show enormous variation in unemployment rates across sectors. Unemployment in textiles and clothing, where large-scale layoffs have occurred, is highest. Service industries have low unemployment. Agricultural unemployment is low, probably due to the non-eligibility of former agricultural cooperative members for unemployment benefits.

The average duration of unemployment, on the other hand, varies comparatively little across economic branches. While separation rates differ quite significantly across sectors, as we shall see in the next section, the probability of re-employment varies less, which could imply that unemployment is a "stagnant pool" from which escape is difficult, regardless of one's previous experience. In addition, those sectors with the highest durations, such as coal mining, other mining, and transportation may be those which are slowest to begin restructuring, implying that laidoff workers from those sectors may face particular difficulties in finding new jobs. If this is the case, then it suggests that unemployment may increase quite significantly when the real restructuring process in those sectors begins.

Table 6 provides some interesting further evidence on restructuring. Surprisingly, the highest rates of "experienced unemployment" are in cooperatives, with privatized firms close behind. Because former members of former agricultural cooperatives are ineligible for unemployment benefits, as discussed below, these cooperatives must operate in industry. According to these results, privatized firms have laid off about a quarter of their workers. Finally, among state-owned enterprises, the "commercial companies" have a much higher unemployment rate than do the "regies autonomes," which include many of the dinosaurs of Romanian industry.

Table 7 shows unemployment by reason. Over 60 percent of Romanian unemployed are job losers, of which well over half were laid off en masse. The other big category are the new entrants, to which we have already alluded.

2. Dynamics of Romanian Unemployment

How has the unemployment situation in Romania evolved over the last two and a half years? How many workers have been quitting state industry for new jobs, how many have been retiring or leaving the labor force for other reasons, and how many have been laid off
involuntarily? What are the magnitudes and directions of flows of workers into and out of unemployment? To what extent should Romanian unemployment be characterized as high turnover-short duration or as low turnover-long duration?

The first issue can be addressed only with the use of Labor Ministry data, which permits the analysis of only the limited number of dimensions described above. The composition of unemployment by sex has been remarkably constant, with women accounting for 60 percent of the unemployed since the MLSP tabulations began. The relative proportions of the three educational ("socio-professional") categories in total unemployment -- "workers," "persons of average education," and "university graduates" -- have also been remarkably constant at 87, 11, and 2 percent, respectively, since late 1991. The structure of unemployment by age, however, changed significantly in August 1992, when the proportion of unemployed younger than 25 fell from almost 50 to about 41 percent, while the weights of other age groups rose almost proportionately. As discussed below, this was possibly a result of the establishment of the Support Allowance Program, particularly because, since then, the age structure has displayed little evolution.

Concerning labor turnover, remarkably good data are available on accessions and separations of various categories in industry and a few other sectors from the National Commission for Statistics. Several remarkable conclusions may be drawn.

First, Romania in the late 1980s was not a particularly low turnover economy. Annual accession and separation rates varied within the 15 to 17 percent range, of which less than 5 percentage points involved flows out of the labor force. Layoff rates were quite low, but not entirely negligible, and both disciplinary discharges and voluntary job-to-job quits were significant. Second, 1990 was the big year for job changing, as hiring jumped to about 130 percent of the average of the past three years, and quits, both to new jobs and to out of the labor force, more than doubled. Third, turnover in 1991 and 1992 fell back to pre-"revolutionary" levels: for several categories, including overall separations, 1991 and 1992 look much more like 1987 to 1989 than to 1990. The hiring rate essentially collapsed, however, and the little movement in total separations masks a rising rate of dismissals and falling quit rate, especially to other jobs.

These data may be taken as indicators of the beginnings of restructuring in Romanian state-owned industry: not sensational, but also not insignificant. After the comparative trickle of 1990 and 1991, the year 1992 witnessed a 12.5 percent decline in industrial employment, the first sizable drop. Employment declines were quite unequally distributed across sub-branches, being especially large in textiles, radioactive minerals, nonmetallic mining, fabricated metals, machine building, and electrical equipment. In some sub-branches, such as
oil and gas, metallic minerals, food, chemicals, transportation equipment, and railways, employment fell comparatively little. It actually rose in coal mining, where there was great turnover: both accession and separation rates were close to 20 percent. Most of the variation in employment declines is due to differences across sub-branches in dismissal rates, with textiles showing the greatest active restructuring: nearly 12 percent of textile employees were dismissed in 1992.

It is not exactly easy to calculate gross unemployment flows from the figures reported by the MLSP in Romania. Prior to August 1992, when the Support Allowance was introduced, as described below, unemployed individuals who exhausted their eligibility for benefits and did not re-register as nonrecipients were neither counted as part of "deregistrations," nor were they enumerated separately. Deregistrations are reported for job finders and suspensions (for no longer complying with the conditions for benefit eligibility) separately, but exhaustees simply disappear. This might cause more than a little trepidation in one attempting to measure the magnitude of gross flows into and out of the unemployment pool. ⁷

But some conclusions may still be drawn, if one takes into account the pattern of benefit durations in the context of the Romanian program: in fact, we know in which months benefit exhaustion occurred and therefore when to avoid spurious calculations. In the first six months (February to August 1991), there was no benefit exhaustion, nor, after benefits were extended to nine months, was there from January to March 1992 as former exhaustees returned for 3 months to the rolls. Finally, beginning August 1992, benefits exhaustees were automatically transferred into the Support Allowance category, so that they remained counted. Only starting January 1994 will SA recipients begin to exhaust their 18 months of support, but hopefully by that time the Ministry will be ready to start counting them.

Operating under these constraints, calculations of total outflows from unemployment, outflows to jobs, inflows to unemployment, and the corresponding rates for all the months in which these flows may be precisely calculated, show that both the inflow rates (calculated as a percent of the population aged 15 to 59) and the outflow rates (calculated as a percent of total employment) are quite low. In general, it seems that Romania is similar to many other transition economies, the Czech Republic being the notable exception, in having unemployment characterized by very low turnover.

While this conclusion seems to be valid on average, it may not hold for all groups of the unemployed. We saw in the previous section that mean duration of unemployment differs

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⁷Indeed, naive calculation of unemployment inflow as the first difference of the number unemployed plus deregistrations sometimes yields a negative inflow!
greatly across different population groups, suggesting that some groups may be characterized by high turnover, others by long term unemployment.

Concerning unemployed individuals who are registered with labor offices but who are ineligible to receive any kind of benefits, for instance, a bit more information is available. Turnover seems to be very high in this pool of workers. For instance, in the Bucharest office at the beginning of April 1993, 1439 such individuals were already registered, but two and a half times that -- 3564 -- registered newly in the course of that month. Of the total 5003, 4087 or over 80 percent found jobs during April. The rapid turnover was also consistent across occupational and educational categories.

3. Labor Market Policies for the Unemployed in Romania

Since 1990, Romania has undertaken a number of programs for the specific purpose of assisting the unemployed. The programs combine social insurance and means-tested income support with active policies to increase labor demand for youths and to improve matching by providing retraining for many categories of unemployed individuals. To be sure, other policies, including monetary, credit, fiscal, industrial, regulatory, incomes, indexation, minimum wage, retirement, and other social assistance policies, may well influence the rate and composition of unemployment. This section, however, focuses on essential features of those programs specifically targeted on the unemployed qua unemployed.8

**Unemployment Benefit and Support Allowance**

By far the most important unemployment policy in Romania, and the one to which this paper devotes most attention, is the Unemployment Benefit Program, founded by Law No. 1 in 1991 "Concerning the Social Protection of the Unemployed and their Professional Re-Integration." It has been amended twice (Law No. 72 in December 1991 and Law No. 86 in July 1992).

According to these laws, the following groups are eligible to receive benefits:

1. secondary school and university graduates over 18 years old, with personal income less than half of the minimum wage in the economy, unable to find a job within the first 60 days after their graduation (new entrants), and only after a further 30 day waiting period: the age requirement was amended to 16 years for those with no parents or other sources of income in December 1991;

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8Several of the other policies, in particular the incomes and indexation policies, are analyzed extensively in Earle and Oprescu (1993).
(2) those with no prior labor contract who after compulsory military service could not find a job within 30 days (the requirement for no prior contract seems not to be enforced);
(3) those dismissed due to reasons listed in articles a-f of the Romanian Labor Code:
   (a) reduction or reorganization of activity,
   (b) closing of plant,
   (c) moving of enterprise to another location, where local workers are being hired,
   (d) moving of enterprise to another location, but the employee does not agree to move,
   (e) lack of necessary qualifications for the job,
   (f) return of former employee with rights to the job (for instance, someone on approved leave);
(4) those dismissed from handicraft cooperatives, for reasons for which they are not to blame;
(5) those dismissed illegally, if it is impossible to be rehired for the same job;
(6) those who quit with the approval of the former enterprise (literally: "for reasons that do not modify the bonus for years of employment"), but only if they have been employed at least 6 months out of the last 12 months;
(7) those who had been on fixed (temporary) contracts, but again only if they were employed at least for 6 of the last 12 months.
Essentially, persons laid off and discharged without prejudice plus new entrants who are recent school or university graduates are covered, but persons discharged for cause as well as most job leavers (quits) and re-entrants are not.

The Law also specifically excludes the following categories of individuals:
(1) owners of over 10,000 square meters agricultural land in plain or hilly areas, or over 20,000 in mountainous areas (proven by documents from local authorities); these ceilings were amended to 20,000 and 40,000 in July 1992;
(2) those with personal income "from authorized activities" greater than half of the minimum wage;
(3) those who have "unreasonably" refused the offer of the Local Labor Office for a training course or a job in accordance with their skills, health and no further than 50 km. away from their home;
(4) those eligible to retire (defined by age -- 57 for women and 62 for men -- and years of employment -- 25 for women and 30 for men);
(5) former members of the former agricultural cooperatives (under the rationale that they should have enough land to support themselves).
Thus, the Unemployment Benefit program is not a pure social insurance program, but contains provisions for means-testing. According to officials from the Ministry of Labor, the ceiling on land ownership is not often a binding constraint, although primarily for paradoxical reasons. Agricultural land ownership has been widely dispersed in Romania since the implementation of the Land Law (No. 18/1991), which broke up the agricultural cooperatives and returned their land to over 7 million people, but with a maximum of 10 hectares per family, widely acknowledged as too small an area to support profitable commercial farming. However, the inefficiency and corruption involved in this process has meant that relatively few new owners have received their titles (fewer than 100,000 by the summer of 1992), thus there is no proof that the land is theirs, although they may work it unofficially. The result is highly inefficient agriculture, a near impossibility to sell land and therefore for more concentrated holdings to develop, but, at the same time, little difficulty in eligibility for unemployment insurance!

A more serious element of means-testing seems to be the ceiling on personal income of half the minimum wage, or less than $15 at the current exchange rate, and certainly less than a subsistence income. However, this provision probably functions more to reduce income reporting than it accomplishes anything else.9

Other conditions for eligibility include the requirements that the recipient be registered at a local labor office, report there twice a month (later amended to once a month), and have a health certificate.

Levels of benefits vary for new entrants compared to laid-off workers, and by level of education for new entrants and by years of experience for experienced workers. The specific levels are set as follows:

(1) 60 percent of the indexed national minimum wage for graduates of secondary, vocational, and apprenticeship schools and for workers with less than one year of experience;
(2) 70 percent of the indexed national minimum wage for university graduates;
(3) 50 percent of the indexed last base wage (amended to the average of the last three months in July 1992), but not less than 75 percent of the minimum wage, for recipients with 1 to 5 years of experience;

9It is presumably because it is regarded as a social insurance rather than a transfer program that the Unemployment Benefit Program is scarcely treated in the Ministry’s (1993) “White Paper on Social Assistance,” but to the degree that the program is means-tested, this presumption is unfounded.
(4) 55 percent of the indexed last base wage (amended to the average of the last three months
in July 1992), but not less than 80 percent of the minimum wage, for those with more
than 5, but less than 15 years of experience;

(5) 60 percent of the indexed last base wage (amended to the average of the last three months
in July 1992), but not less than 85 percent of the minimum wage, for those with more
than 15 years of experience.

Levels of benefit are therefore subject to floors, but no ceilings. They are also untaxed.
Statutory replacement rates vary from 50 to 60 percent.

The maximum duration for benefit receipt was initially 6 months, but prolonged to 9
months in December 1991. As noted above, this created some interesting dynamics in the
apparent in- and out-flows.

Although formally mandated in the Law 1, in January 1991, the Support Allowance for
unemployment benefit exhaustees was actually brought into being by the Law 86 in July 1992.
The size of the benefit is currently 40 percent of the minimum wage, although a current
proposal before the Parliament would raise it to 60 percent. The means-testing is still much
tighter in this program: family income can amount to no more than 40 percent of the minimum
wage.

Both UB and SA recipients with children are eligible to benefit from a more general
program, the "state children's allowance," covering children under 16 years old from the state
budget. The exact amount paid varies with family income and the number of children, but it
has declined enormously in real terms since 1989. Unemployed are also supposed to continue
to be covered by medical care from their former employer, and those occupying company
housing are not required to move.

A breakdown of the unemployed into UB recipients, SA recipients, and non-recipients
shows a decline in UB recipients and simultaneous rise in SA recipients -- further evidence that
unemployment in Romania is a long duration - low turnover phenomenon.

Active Labor Market Policies

In 1992, an important youth measure was organized through the labor offices, the Wage
Subsidy Program for New Graduates. For nine months, companies receive the same amount in
subsidy as the unemployed graduate would have received in unemployment benefit: 60 and 70
percent of the minimum wage for secondary school and university graduates, respectively.

\[\text{An amendment already approved by the Government, and currently under consideration by the Parliament, would set a ceiling of twice the minimum wage after tax.}\]
They are supposed to be hired in the state sector only at the minimum wage corresponding to their category of education and skill.

In the 1992 program, 15,895 individuals had been hired by July 1, 1993, less than 10 percent of all 1992 graduates.¹¹ The 1992 program involved a total outlay of 388,543.9 ths. Lei, according to the MLSP. Several results of the program are notable and surprising. First, 13,950, or about 88 percent, of the new jobs were in state firms. Yet this is not the sector experiencing most growth in labor demand. Second, 7117, or nearly half, the jobs were for university rather than secondary school graduates, although, as we saw earlier, the latter group is much larger and has a much bigger unemployment problem: of all new entrants in the SRU, 97.7 percent were secondary school graduates, and only 2.3 percent were university graduates. Moreover, although the subsidy for university graduates is slightly higher in absolute terms than that for secondary school graduates, it is likely that relative wages are such that the proportionate subsidy is much larger for the latter than the former.¹² Third, over half the jobs created were in Bucharest, where new labor demand is highest and unemployment rates are low anyway, and where one might expect that the proportionate subsidy is relatively low. Thus, the effects of this program seem to have little to do with either labor supply or labor demand.

Apart from its modest size, it is quite difficult to estimate what the effects of the wage subsidy program might be on aggregate unemployment. As a program for new entrants, it targets workers who may be supposed to be high turnover-short duration unemployed. In this case, the program would not be helping the truly needy long-term unemployed, but just the opposite group. However, as shown in Table 2, young re-entrant unemployed do not have significantly shorter durations than do older, experienced workers. There may be significant cross-demand effects that are not easy to predict a priori.

The program for 1992 graduates having finished, the Parliament is now considering establishing a program for 1993 graduates. Another proposal presently before the Parliament would extend the wage subsidy to new or expanding companies hiring at least 60 percent of their employees from the pool of unemployed. According to the proposal, only firms in industry, services, or tourism would be permitted to participate. While this might create a healthy stimulus for new growth, it might also displace other growth or subsidize development that would have occurred anyway. The idea that proposals to participate would be evaluated by some "credit committee" seems far too discretionary and non-transparent.

¹²This point is made in Spiridon (1993).
Another unemployment measure involving the payment of wages out of the unemployment fund was the so-called "technical unemployment." In the period November 1, 1991 to March 31, 1992, some enterprises were forced to close due to a lack of energy supply. Their wages were paid out of the Unemployment Fund (described below) during this time.

The final unemployment policy to be discussed concerns training and re-training. According to Law 288 (April 1991), all registered unemployed, including recipients and non-recipients, are eligible for up to two retraining courses, which can last up to 6 months each and which can be offered either at retraining centers or at firms. Recipients concluded contracts with the labor offices, obliging the former to repay the cost of the training in the event that two subsequent offers of employment are refused. Firms offering the courses concluded a contract to hire the trainees at the conclusion of the course. The labor offices determine the types of courses, also in cooperation with the firms offering them, in such cases.

Under these circumstances, it is somewhat surprising that only 107,665 had participated and only 64,342, less than 7 percent of the total unemployed, had completed courses by September 1993. Only the courses organized by firms (with obvious interest, as well as obligation to hire subsequently) were very successful in getting jobs for the unemployed participants, but these courses involved only about 6 percent of trainees. By contrast, most courses were organized at the initiative of local labor offices (the euphemism is "organized to meet the labor demand"), but only about 15 percent of trainees were placed in jobs thereafter, a rather abysmal record. The "courses for entrepreneurs" fared no better: again, only 15 percent actually started a business after the course. It is interesting to note in the occupational breakdown that those completing courses in more service and consumer-oriented occupations generally had better placement records than others, although masons also did rather well.

The small scale and low participation in retraining may have several explanations. First, according to some observers, the unemployed are not interested in retraining, preferring rather to remain dependent on the state.¹³ The Survey of Registered Unemployed, however, found that a large proportion of the unemployed believe they must change occupations in order to find a new job; thus, they must have some recognition of the need for retraining. A second possible explanation is that labor offices may be offering courses that correspond only poorly with the structure of growth in labor demand. The training course offerings are dominated by industrial occupations, which are not necessarily the obvious areas for growing demand.

¹³Interview with Iulian Oneasca, reporting some unpublished results of an unemployment survey concerned with these questions.
It has been recently proposed that the retraining program be expanded to permit employed individuals to participate, and to encourage enterprises to submit proposals for new courses.\textsuperscript{14}

All of these programs are financed from the Unemployment Fund, established in the Law 1. Employers contribute 4 percent of payroll (amended in July 1992 to 5 percent), and employees contribute 1 percent of their wages. The Fund is deposited in a "special account" in the National Bank. Although the account bears interest, the ex-post real interest rates have generally been negative. It is difficult to determine how the Fund has been used and why it has been allowed to lose real value. But there seems to be little danger of the Fund being exhausted in the short run. And Law 1 would permit benefits to be paid from the state budget in this event.

As already mentioned, the organization of the disbursement of all these benefits and programs takes place through the local labor offices, of which there are about 190 in 41 counties (including Bucharest). A total 1552 people are employed in these offices, with an average "caseload" of 668 unemployed per employee. Moreover, this caseload differs quite significantly across offices, with a range from 295 in Brasov to 3454 in Calafat. We may hypothesize that this is a significant determinant of the ability of offices to place unemployed workers in new jobs.

\textsuperscript{14}According to C. Pauna (1993).
References


Table 1

Unemployment by Sex
-July 1993-

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<th>Sex</th>
<th>Count</th>
<th>Percentage</th>
<th>Unemployment rate</th>
<th>Mean duration</th>
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Sources: Survey of Registered Unemployed (SRU) and National Commission for Statistics (CNS)

Table 2

UNEMPLOYMENT BY AGE
-July, 1993-

<table>
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<tr>
<th>Age groups</th>
<th>Count</th>
<th>Percentage</th>
<th>Unemployment rate</th>
<th>Mean duration</th>
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<td>16-20 years</td>
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<tr>
<td>55-60 years</td>
<td>68</td>
<td>1.1</td>
<td>2.26</td>
<td>8.1</td>
</tr>
</tbody>
</table>

Sources: SRU and CNS.
Table 3

UNEMPLOYMENT BY EDUCATION GROUPS
-July, 1993-

<table>
<thead>
<tr>
<th>Education groups</th>
<th>Count</th>
<th>Percentage</th>
<th>Unemployment rate</th>
<th>Mean duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>University graduates</td>
<td>288</td>
<td>4.91</td>
<td>6.05</td>
<td>8.4</td>
</tr>
<tr>
<td>Lyceum and post-lycee grd.</td>
<td>2699</td>
<td>46.05</td>
<td>15.66</td>
<td>9.1</td>
</tr>
<tr>
<td>Less than 12 years of school</td>
<td>2874</td>
<td>49.04</td>
<td>6.05</td>
<td>7.5</td>
</tr>
</tbody>
</table>

Sources: SRU and CNS.

Table 4

Unemployment by Occupation
-July 1993-

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Count</th>
<th>Percentage</th>
<th>Unemployment rate</th>
<th>Mean duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>1</td>
<td>0.0</td>
<td>0.14</td>
<td>2.0</td>
</tr>
<tr>
<td>Specialists</td>
<td>172</td>
<td>3.98</td>
<td>9.21</td>
<td>7.4</td>
</tr>
<tr>
<td>Technicians</td>
<td>248</td>
<td>5.74</td>
<td>8.56</td>
<td>9.1</td>
</tr>
<tr>
<td>Administrative</td>
<td>388</td>
<td>8.97</td>
<td>14.01</td>
<td>7.9</td>
</tr>
<tr>
<td>Agriculture work</td>
<td>75</td>
<td>1.74</td>
<td>5.91</td>
<td>8.5</td>
</tr>
<tr>
<td>Skilled workers</td>
<td>2875</td>
<td>66.48</td>
<td>15.49</td>
<td>8.6</td>
</tr>
<tr>
<td>Unskilled workers</td>
<td>566</td>
<td>13.09</td>
<td>19.63</td>
<td>8.7</td>
</tr>
</tbody>
</table>

Sources: SRU and CNS.
Table 5
Unemployment by Branch
-July 1993-

<table>
<thead>
<tr>
<th>Branches</th>
<th>Count</th>
<th>Percentage</th>
<th>Unempl. rate</th>
<th>Mean duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>376</td>
<td>6.7</td>
<td>11.34</td>
<td>9.9</td>
</tr>
<tr>
<td>Industry</td>
<td>2141</td>
<td>56.1</td>
<td>11.48</td>
<td>8.5</td>
</tr>
<tr>
<td>Coal mining</td>
<td>52</td>
<td>0.9</td>
<td>7.80</td>
<td>11.3</td>
</tr>
<tr>
<td>Other mining</td>
<td>19</td>
<td>0.3</td>
<td>1.92</td>
<td>11.2</td>
</tr>
<tr>
<td>Food, beverage &amp; Tabacco manufacturing</td>
<td>141</td>
<td>2.5</td>
<td>8.82</td>
<td>8.3</td>
</tr>
<tr>
<td>Textile, knit, wearing apparel &amp; leather manuf</td>
<td>597</td>
<td>10.9</td>
<td>16.14</td>
<td>7.7</td>
</tr>
<tr>
<td>Leather &amp; footwear manufacturing</td>
<td>46</td>
<td>0.8</td>
<td>6.87</td>
<td>8.2</td>
</tr>
<tr>
<td>Wood Industry</td>
<td>46</td>
<td>0.8</td>
<td>5.18</td>
<td>7.5</td>
</tr>
<tr>
<td>Chemistry</td>
<td>85</td>
<td>1.5</td>
<td>6.88</td>
<td>9.0</td>
</tr>
<tr>
<td>Glass &amp; rubber Ind.</td>
<td>22</td>
<td>0.4</td>
<td>1.65</td>
<td>9.2</td>
</tr>
<tr>
<td>Metallurgy</td>
<td>116</td>
<td>2.0</td>
<td>9.87</td>
<td>8.9</td>
</tr>
<tr>
<td>Fabricated metal products</td>
<td>52</td>
<td>0.9</td>
<td>4.97</td>
<td>8.3</td>
</tr>
<tr>
<td>Machinery &amp; equipment manufacturing</td>
<td>460</td>
<td>8.1</td>
<td>14.96</td>
<td>8.5</td>
</tr>
<tr>
<td>Electrical &amp; Optical Equipment</td>
<td>127</td>
<td>2.3</td>
<td>12.17</td>
<td>10.0</td>
</tr>
<tr>
<td>Transportation equipment</td>
<td>8</td>
<td>0.1</td>
<td>0.57</td>
<td>13.7</td>
</tr>
<tr>
<td>Other manufacturing industries</td>
<td>83</td>
<td>1.5</td>
<td>7.69</td>
<td>9.0</td>
</tr>
<tr>
<td>Energetics</td>
<td>17</td>
<td>0.3</td>
<td>1.77</td>
<td>12.7</td>
</tr>
<tr>
<td>Construction</td>
<td>271</td>
<td>4.7</td>
<td>7.53</td>
<td>8.7</td>
</tr>
<tr>
<td>Trade, Hotel &amp; Rest</td>
<td>295</td>
<td>5.3</td>
<td>5.23</td>
<td>7.6</td>
</tr>
<tr>
<td>Transportation &amp; Comm</td>
<td>85</td>
<td>1.5</td>
<td>2.23</td>
<td>6.2</td>
</tr>
<tr>
<td>Fire</td>
<td>44</td>
<td>0.8</td>
<td>1.51</td>
<td>11.0</td>
</tr>
<tr>
<td>Service</td>
<td>366</td>
<td>6.6</td>
<td>5.70</td>
<td>9.0</td>
</tr>
</tbody>
</table>

Sources: SRU and CNS.
Table 6
Unemployment by Legal Form
-July 1993-

<table>
<thead>
<tr>
<th>Legal form</th>
<th>Count</th>
<th>Percentage</th>
<th>Unemployment rate</th>
<th>Mean duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budgetary institutions</td>
<td>165</td>
<td>4.3</td>
<td>4.84</td>
<td>8.7</td>
</tr>
<tr>
<td>Regies autonomes</td>
<td>173</td>
<td>4.5</td>
<td>3.89</td>
<td>10.5</td>
</tr>
<tr>
<td>Commercial companies</td>
<td>2271</td>
<td>71.8</td>
<td>13.75</td>
<td>8.5</td>
</tr>
<tr>
<td>Cooperatives</td>
<td>573</td>
<td>14.8</td>
<td>30.88</td>
<td>9.0</td>
</tr>
<tr>
<td>Private firms</td>
<td>105</td>
<td>2.7</td>
<td>6.30</td>
<td>6.2</td>
</tr>
<tr>
<td>Privatized firms</td>
<td>64</td>
<td>1.7</td>
<td>25.95</td>
<td>10.0</td>
</tr>
<tr>
<td>Joint venture</td>
<td>10</td>
<td>0.3</td>
<td>1.80</td>
<td>6.9</td>
</tr>
</tbody>
</table>

Table 7
Unemployment by Reasons of Unemployment
-July 1993-

<table>
<thead>
<tr>
<th>Reason</th>
<th>Count</th>
<th>Percentage</th>
<th>Mean duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mass layoff (&gt; 10 empl)</td>
<td>2110</td>
<td>36.6</td>
<td>9.1</td>
</tr>
<tr>
<td>Mass layoff (2-10 empl)</td>
<td>724</td>
<td>12.5</td>
<td>8.3</td>
</tr>
<tr>
<td>Individual layoff</td>
<td>361</td>
<td>6.3</td>
<td>7.2</td>
</tr>
<tr>
<td>Plant closure</td>
<td>347</td>
<td>6.0</td>
<td>8.9</td>
</tr>
<tr>
<td>Quit</td>
<td>51</td>
<td>0.9</td>
<td>9.4</td>
</tr>
<tr>
<td>Newentrant</td>
<td>1932</td>
<td>33.5</td>
<td>7.7</td>
</tr>
<tr>
<td>Reentrant</td>
<td>150</td>
<td>2.6</td>
<td>8.0</td>
</tr>
<tr>
<td>Out of LF</td>
<td>33</td>
<td>0.6</td>
<td>7.1</td>
</tr>
<tr>
<td>Others</td>
<td>62</td>
<td>1.1</td>
<td>9.4</td>
</tr>
</tbody>
</table>

Sources: SRU and CNS.