

# Forecasting Labour Market & Skill-Needs in ROMANIA

## Trends, Facts and Anticipations

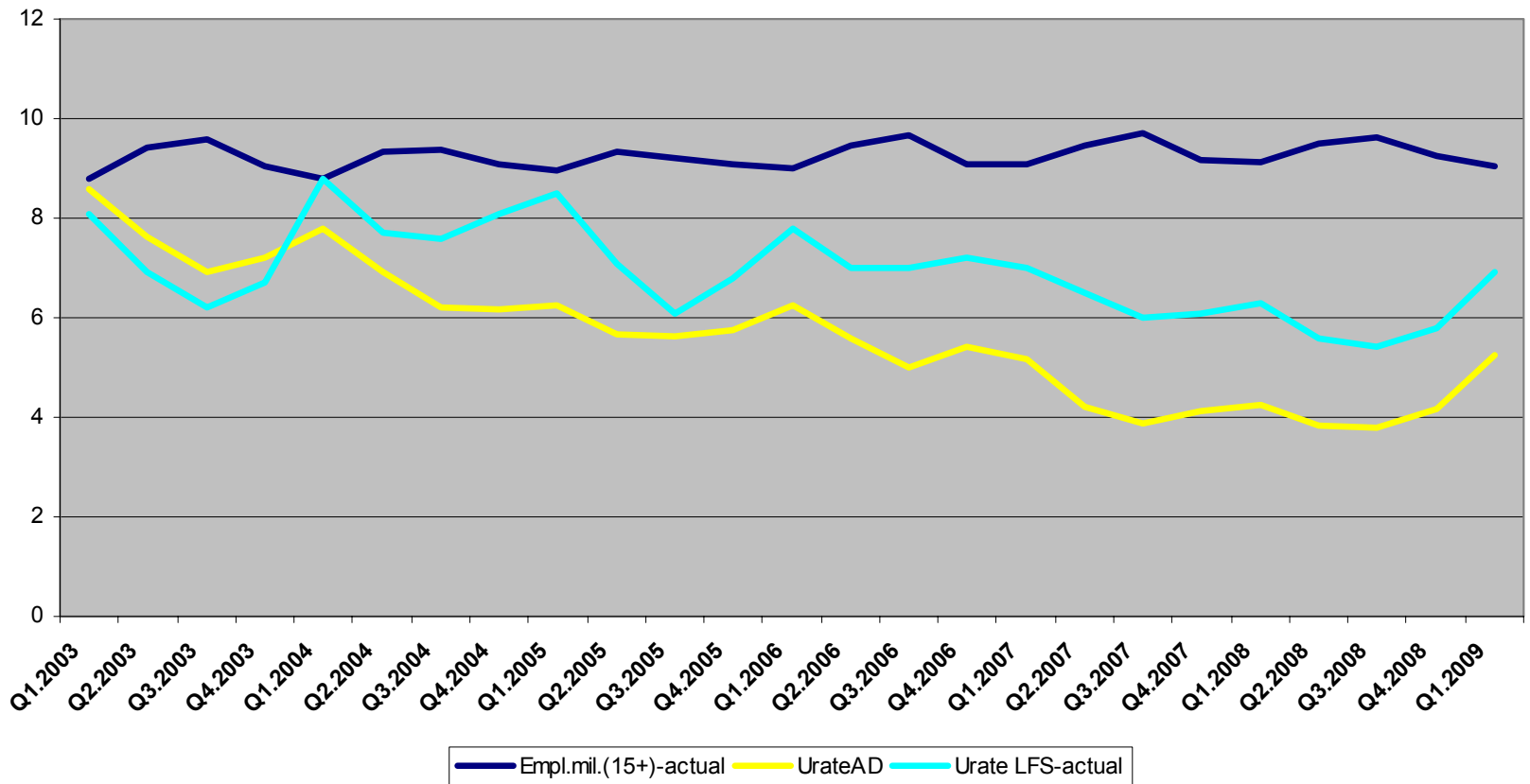
Presentation by  
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# Plan of the Presentation

- Some basic info on the Romanian Labour Market/LM
- Early Preoccupations on forecasting LM & Skill Needs;
- The Age of Surveys;
- Methodology and Results of the Enterprise Surveys;
- Zooming on Occupations – The **Monograph** Exercise;
- Glimpsing on the future-attempts to use modelling in the forecasting of LM & Skill Needs;
- The National Institute of Statistics Surveys on Vacancies;
- Cooperating with the CEDEFOP Centre;
- The recent role of the ESF;
- What Next?
- The **Need to Forecast** or in lieu of CONCLUSIONS

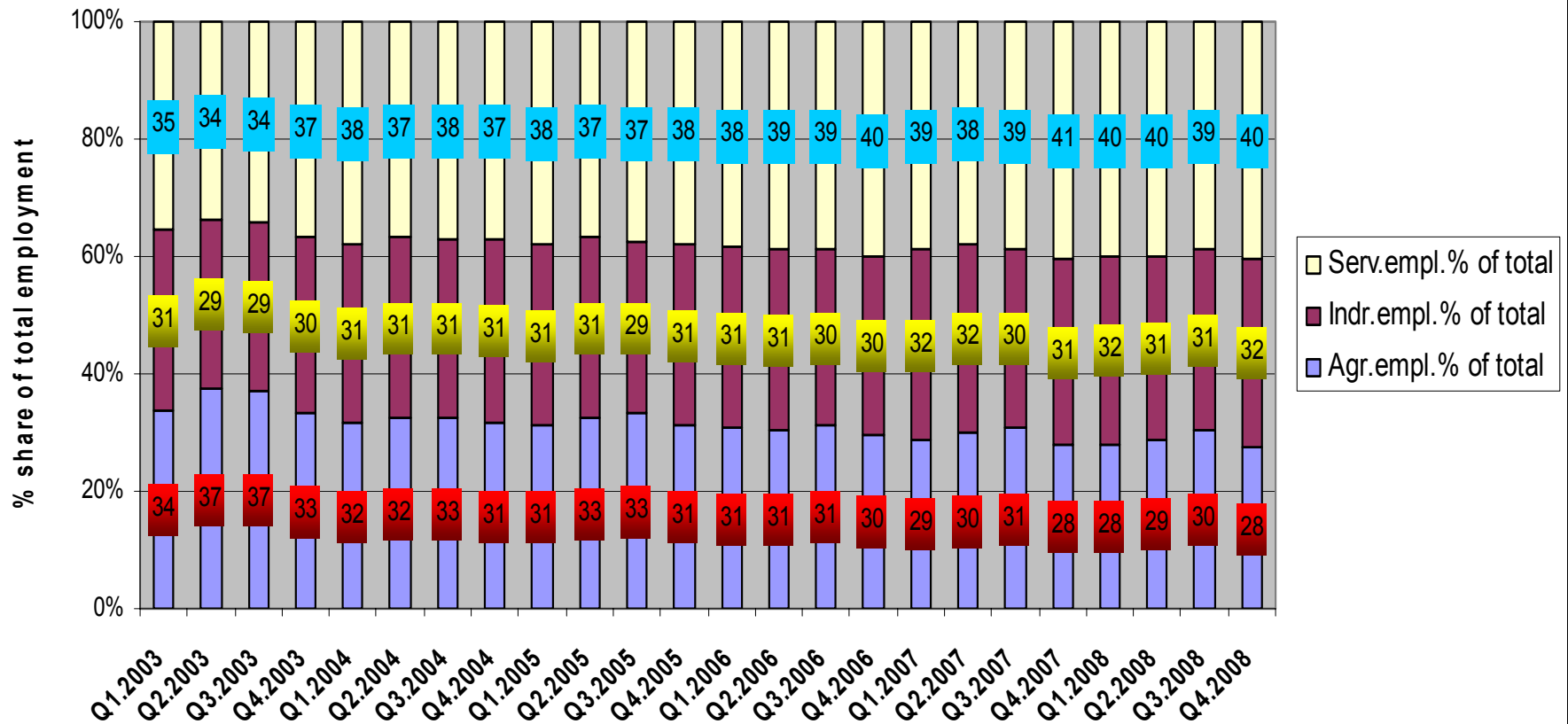
# Basic Info on the Romanian LM (1)

Sticky Employment but fast-moving unemployment -  
Does it make sense at all?



# Basic Info on the Romanian LM (2)

## The Shifting Share or the gradual Drift from Agriculture to Services



# Early Preoccupations on forecasting LM & Skills Needs

- Since the mid-nineties as Transition reforms gathered pace and EU accession started looming closer a more pressing need to anticipate labour market and “qualifications” needs emerged;
- The main drivers behind the move have been the Ministries of Education and Labour with the latter trying to make use of the funds available at the time under a World Bank dedicated loan;
- However, first attempts have been crude arithmetic exercises, basing on extrapolations of past trends;
- A few rather more forward-looking exercises have been carried on a sector-basis using in-depth interviews with managers; However these were small in scale;

# The Age of Surveys (1)

- FOUR (4) National Surveys have been carried out so as to map LM 7 Skill needs between 2003-2008;
- All of them have used representative samples ranging from 1100 to 2400 enterprises nationwide;
- Face-to-Face interviews with HR managers or even CEOs have been the main data collection tool;
- Objectives have varied from the “pure” anticipation of the Demand for Skills, to Labour Market Forecasting and even an attempt to “match demand and supply at the level of Local Employment Services”;
- The Ministry of Education has used results of the first (2003) survey to substantiate its reform plans for I&CVET;

# The Age of Surveys (2)

- Unfortunately enough, all of the surveys had either different if not divergent objectives or, have simply attempted to amass objectives in spite of their divergence;
- As often enough in such cases results have suffered and methodologies have been rendered unstable;
- A further setback came from a reluctance of enterprises to respond to surveys as well as from the fact that often, political instability meant that new administrations have refused to capitalize on gains from previous administrations;
- The National Labour Research Institute/NLRI, while at the forefront of all the surveys as a lead partner, could and cannot supplant for the lack of political will which has rendered this type of exercise erratic and discontinuous!

# Methodology and Results of the Enterprise Surveys(1)

Methodology applied/Survey year	2003	2006	2006	2008
Sample Dimensions - no. of enterprises	2400	1200	1100	1150
Investigation Unit	Enterprise	Enterprise	Enterprise	Enterprise
Investigation Instrument	Questionnaire	Questionnaire	Questionnaire	Questionnaire
Territorial Coverage	All excl. Bucharest	National	National	National
Regional Dimension	Present	Present	Present	Present
Economic Activity coverage	NACE 1 digit	NACE 1digit	NACE 1 digit	NACE 1 digit



# Methodology and Results of the Enterprise Surveys(2)

Objectives Assigned	2003	2006	2006	2008	Actual Results
Assessing the demand for qualifications	X	X	X	X	√,√,√,√
Anticipating future LM trends	X		X		√
Anticipating the demand for skills		X	X	X	√
Mapping-out occupational change			X		√
Measuring Demand-Supply Mismatch			X		√
Measuring Vacancy rate		X	X	X	√,√,√
Actual Results	√	√,√	√,√,√,√	√,√	

Note: Each "√" marks the achievement of a specific "objective assigned";

# Methodology and Results of the Enterprise Surveys (3)

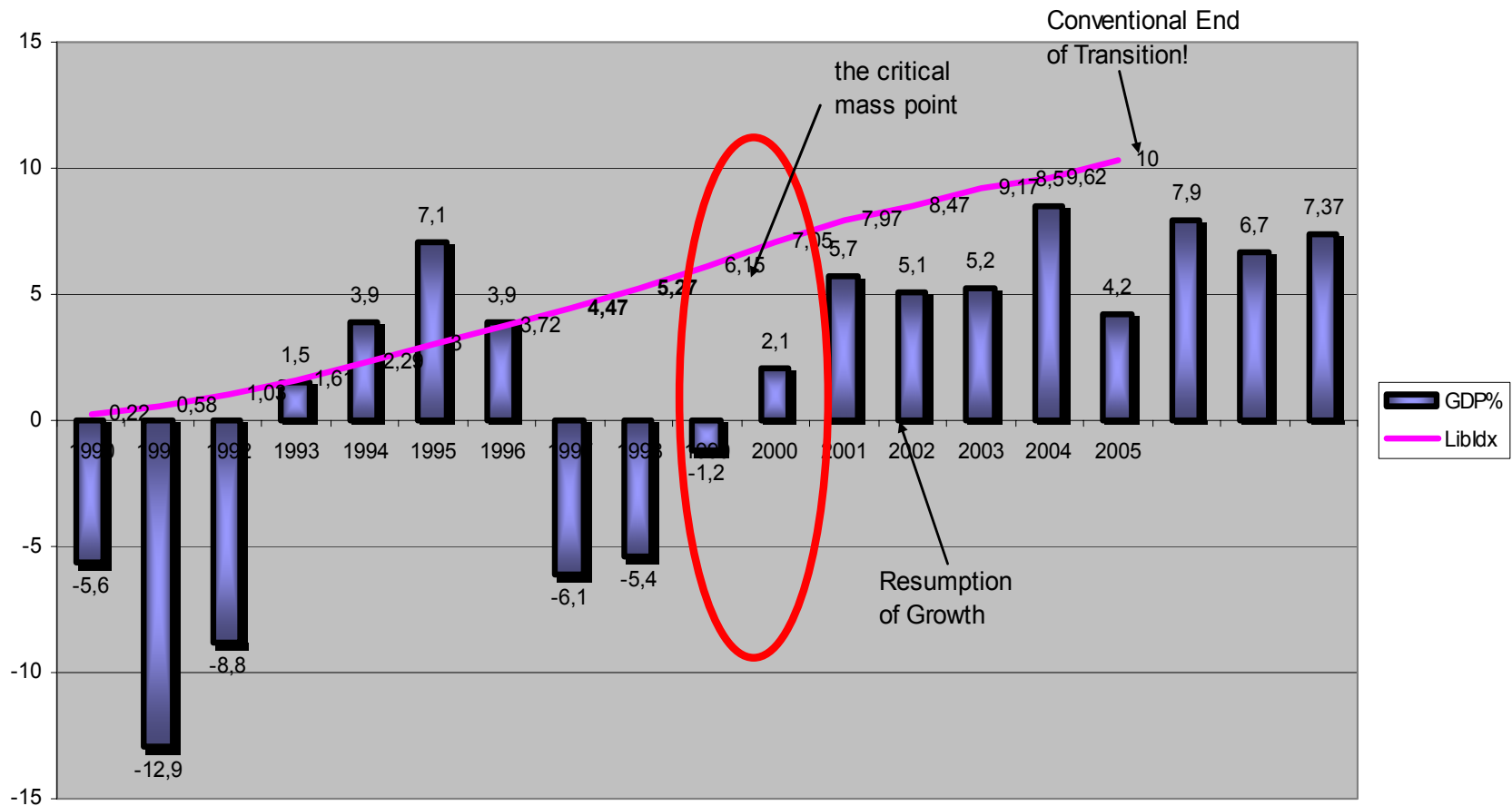
- Surveys were comprehensive though expensive exercises;
- While allowing for a host of methodological gains with respect to the instruments used as well as to the sampling techniques employed, nevertheless..
- They stressed maybe too much the existence of so-called “labour shortage”, apparent between 2005-07 in the RO economy thus probably prompting some hasty, pro-cycle and damaging LM policy decisions;
- Their truncated view as well as diverging, over-ambitious objectives have rendered them of poor use in decision making;
- This DOES NOT however mean that they have to be abandoned but IMPROVED and STREAMLINED!

# Zooming on Occupations – The Monograph Exercise

- The aim was to chart occupational profiles so as to assess change and its drivers while mapping the resulting impact on VET;
- 105 significant occupations have been profiled exhaustively, using face-to-face interviews with professionals (1-5 per selected occupation);
- Occupations have been divided into: “dominant”, “changing” and “piercing”;
- A comprehensive body of information has been thus provided to decision-makers as well as to social partners, making a tremendous contribution to the development of “occupational standards” used by sector committees for the assessment and accreditation of vocational training programs;
- Unfortunately, the exercise has not seen any update, being considered, *again*, as too expensive;

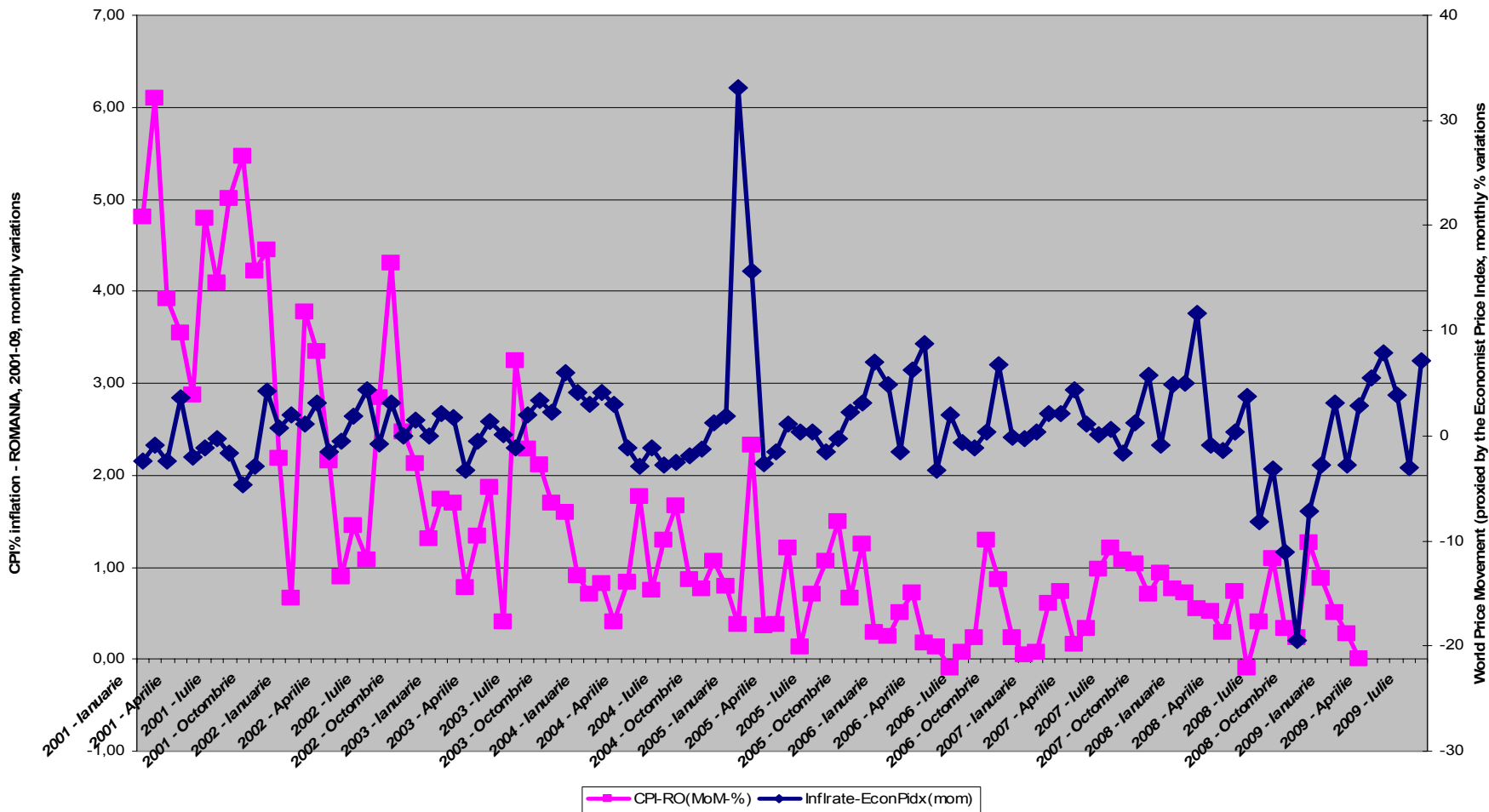
# Glimpsing on the future – Preliminaries to the “modelling way” (1)

Real GDP (% - RO 1990-2005) and Progress in Plan to Market Transition as expressed by the cumulative values of the "Liberalization Index"



# Glimpsing on the future – Preliminaries to the “modelling way” (2)

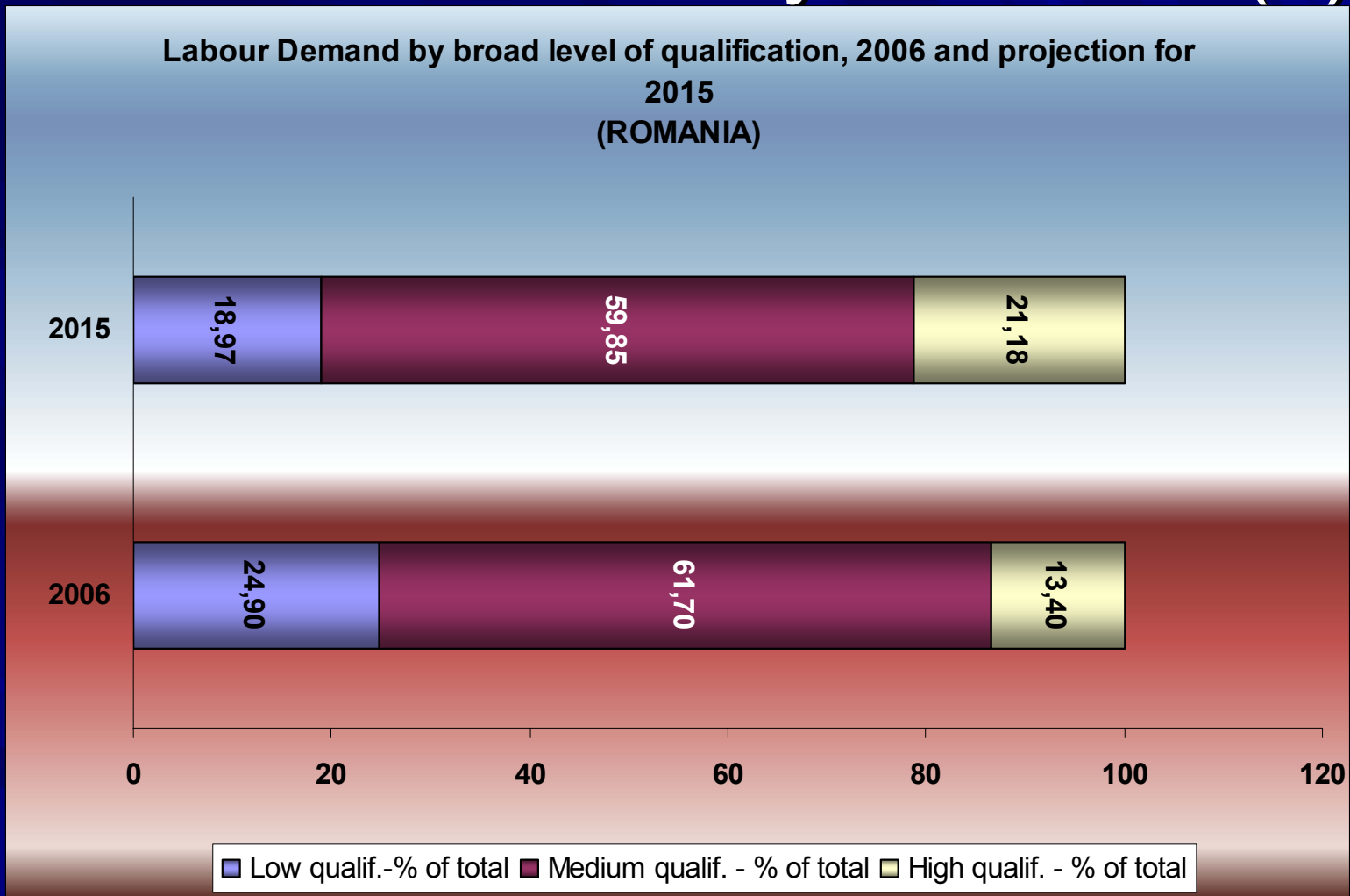
**Converging with the wider World**  
 (movement of prices in the Romanian and World economy 2001-09, monthly % variations)



# Glimpsing on the future-attempts to use modelling in the forecast of LM needs

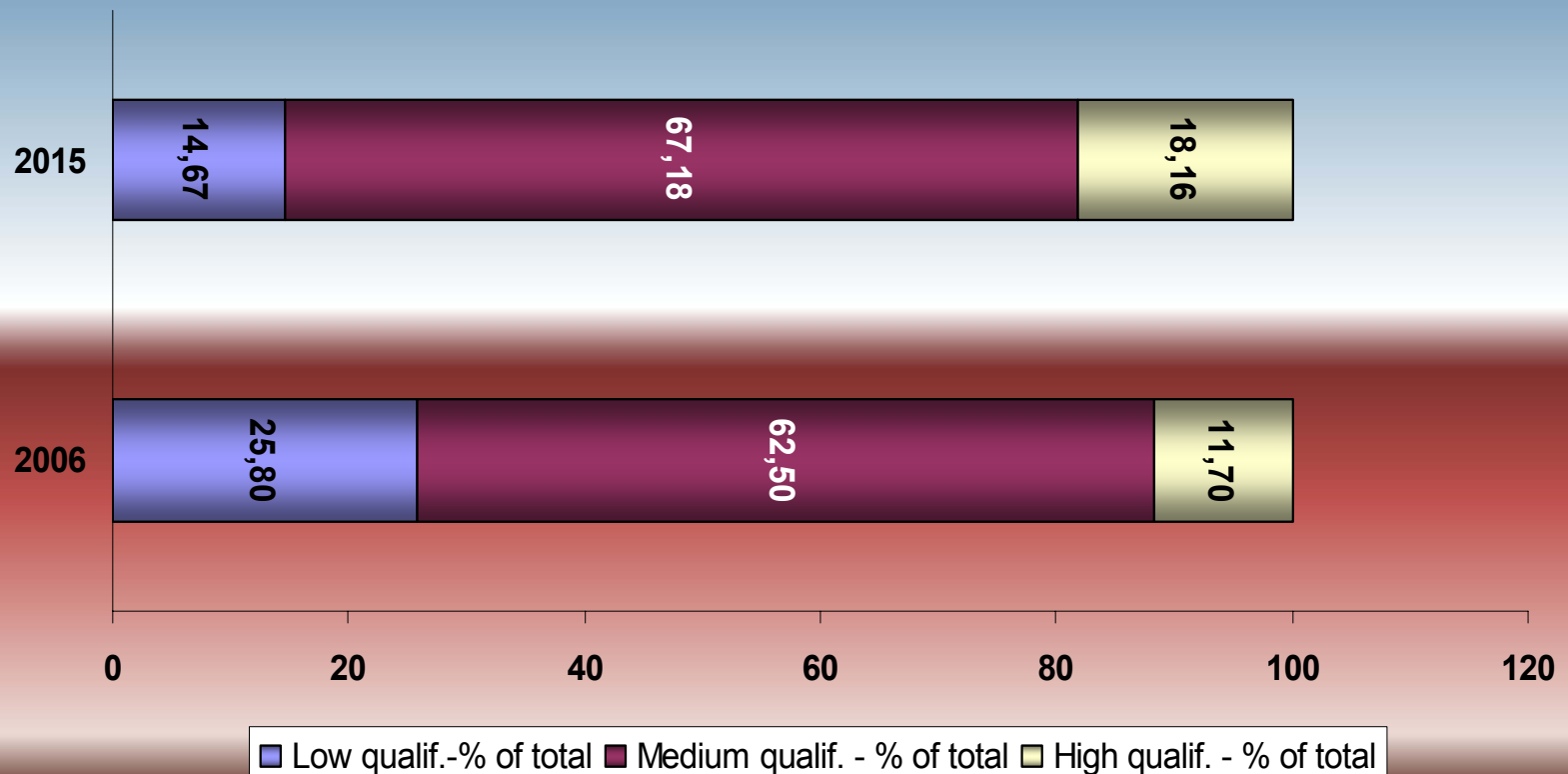
- Attempts have been made since 2003, using a modified version of the ROA (NL) methodology, with labour productivity as main explanatory variable;
- Three Scenarios have been devised so far using the 2002 census data as a basis to forecast on major occupational groups;
- The Pessimistic Scenario went on with an extrapolation of transition trends; The BASELINE/MODERATE scenario assumed constant GDP% at 5.5 annually (W at 6% annual rate) and strong FDI; The Optimistic one went on “normative” assumptions regarding change in occupational structure of the RO economy by 2013, being essentially a “goal seeking” exercise;
- However, the exercise did not provide reliable outputs as it failed to capture both the major characteristics of Romanian Plan to Market Transition (the neglect of the turning point represented by the attainment of the “critical mass”) as well as Romania’s convergence with wider EU and world economy, occurring swiftly albeit furtively after 2003-04;

# Glimpsing on the near future – an illustration of a likely outcome (1)



# Glimpsing on the near future – an illustration of a likely outcome (2)

Labour supply by broad level of qualification, 2006 and projections for 2015  
(ROMANIA - population in the age groups 25-64)



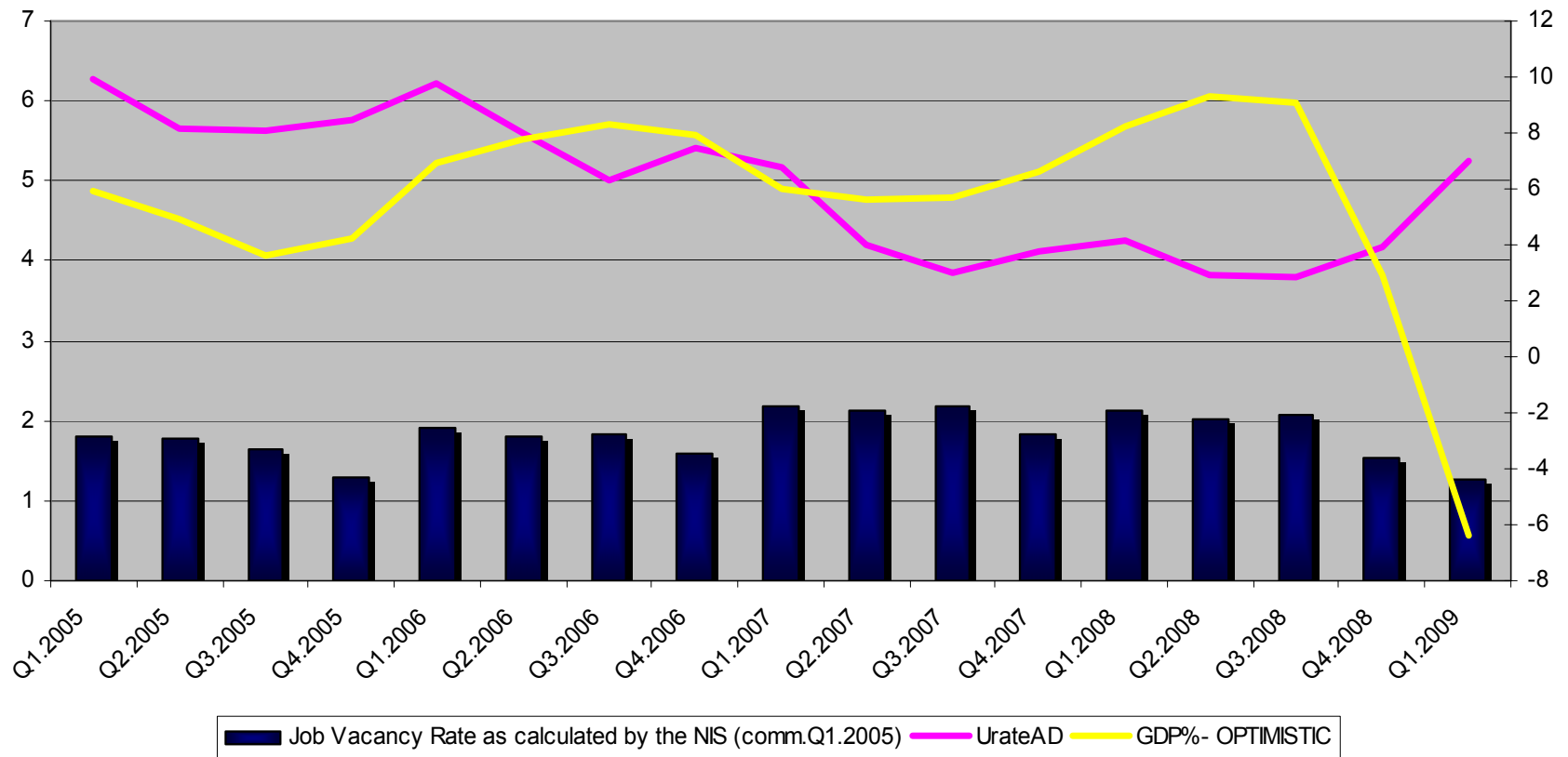


# The National Institute of Statistics Surveys on Vacancies

- Performed since 2005 (Q.1), using EUROSTAT methodology, with data released on a quarterly basis;
- NACE – one digit data are provided for sectors; The main output is a National VACANCY RATE, on a quarterly basis;
- The sample consisted initially of 18500 legal entities (excl. armed forces and intelligence services), further extended in 2009 to 24000 entities;
- It provides, and this in spite of its limitations, a very good indication on the state of the labour market;
- Moves as a coincidental if not “lagging” labour market indicator;

# The National Institute of Statistics Surveys on Vacancies

Job Vacancy Rate as calculated by the NIS, The Unemployment rate (national definition) and Real GDP (%)

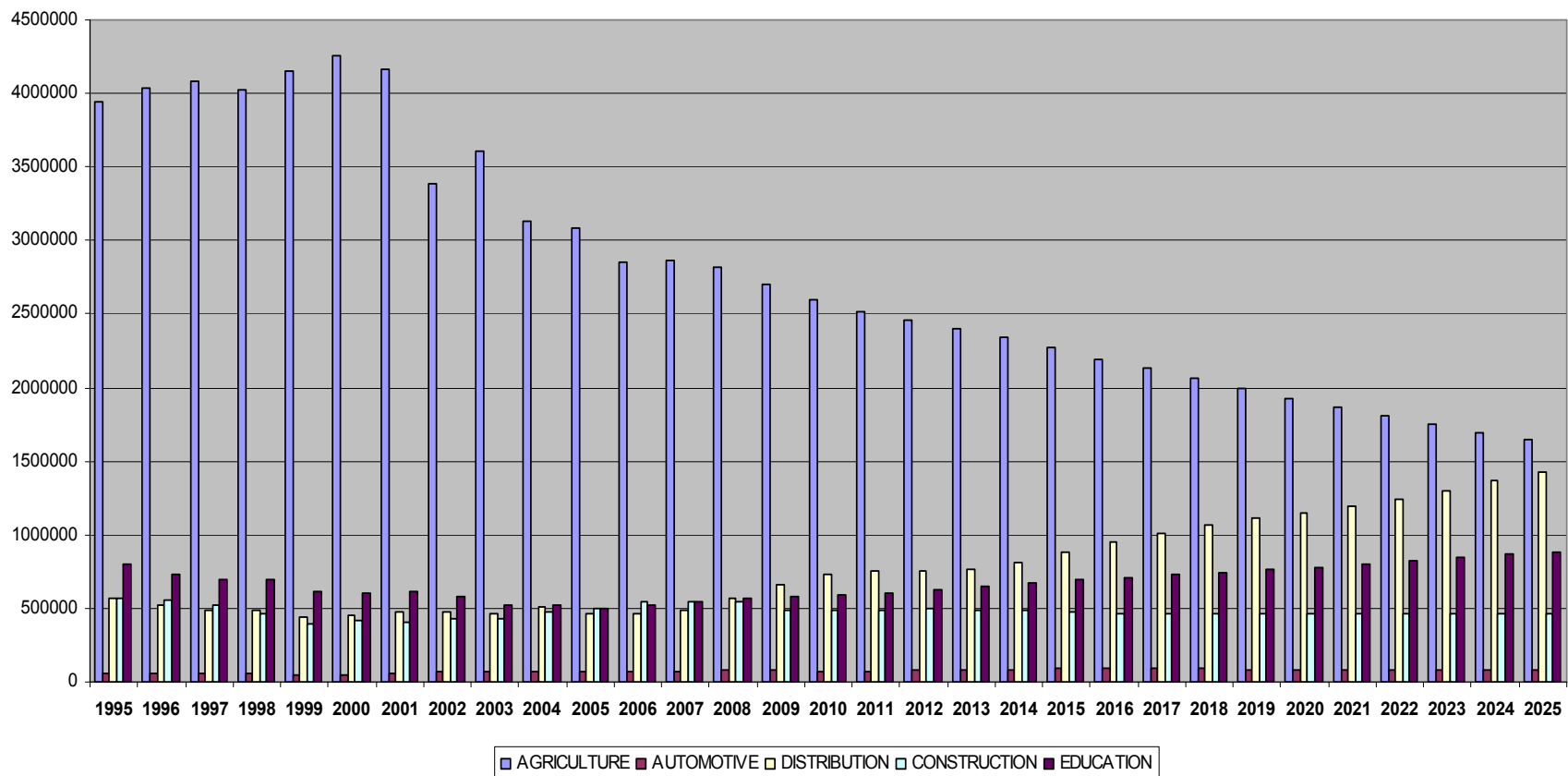


# Cooperating with the CEDEFOP (1)

- First contact made in 2004, following which, the NLRI has become a member of the SkillsNet, via the author of this presentation (2005);
- As such Romania has been represented, methodologically at least, in the first Pan-European exercise attempting a medium-term forecasting of the demand for SKILLS;
- Currently, the NLRI under the coordination of Dr. C. Ghinararu is an active partner in the latest CEDEFOP-sponsored exercise on the anticipation of the Demand & Supply of Skills in Europe, being responsible for the validation of the results for 7 countries (BG,CZ,GR,HU,RO,SK,SI);

# Cooperating with the CEDEFOP (2)

Evolution of Labour Demand (total employment) in selected economic activities  
(1995-2008) and projections for 2025  
(ROMANIA, 1995-2025)



# Cooperating with the CEDEFOP (3)

- Another dimension has been added with NLRI also becoming a member of the ReferNet network, thus being able to disseminate bi-directionally (outside and inside the country) its methodological gains as well as the outputs of its researches;
- The latest National VET Research Report recently submitted to the CEDEFOP (see preliminary version at [www.refernet.ro](http://www.refernet.ro)) focuses as one of its priority themes on **LM&SKILL NEEDS IDENTIFICATION**;
- Not lastly, jointly with the CEDEFOP, in 2007 (June), the NLRI has organized a first meeting dedicated to skill needs identification via **ENTERPRISE SURVEYS** – It has been the commencement of an on-going and **PROMISING** Pan-European process!!!

# The recent role of the ESF

- Starting with mid 2009, the National Agency of Employment jointly with a consortium of Italian consulting firms (IRER) and with the expert support of the NLRI is implementing:
- **SAPERE**, a ESF-financed initiative in the frame of Axis 4 of the SOP-HRD-RO, aiming at:
- Improving the capacity of the RO-PES to anticipate labour market needs and tackle mismatches between the supply and demand for labour while making use of administrative data available;

# What Next?

- Although in terms of results surveys have not been pretty convincing, the methodological gains will have to be capitalized upon and funds will have to be found, most probably under the ESF, so as to turn them into regular instruments for the identification if not anticipation of LM&SKILL needs;
- The formal joining of the CEDEFOP exercise, gives access to a wealth of data suitable for further development by national experts;
- Initiatives like SAPERE, if successful, will entrench the concept of LM & SKILL Needs anticipation as *part and parcel* of the policy-making process;
- New Initiative of the NLRI in conjunction with the FGB-Italy aims at charting the means and ways for the RO economy to respond, via increased flexibility, to Random Exogenous Shocks – identifying future needs at the core of this recently signed ESF-financed project;
- However, everything depends crucially on:
  - political will;
  - the availability of funds;
  - the capacity to deliver **concrete, plausible results** by using **reliable, robust instruments** capable of churning **projections on a regular basis!**

# The Need to Forecast or in lieu of CONCLUSIONS

- The Experience of Transition as well as the recent crisis have surfaced THE NEED TO FORECAST as integral to the LM policy-making processes;
- Anticipation and Evaluation go hand in hand with sound, anti-cycle policies, having at least the POTENTIAL to alleviate vulnerabilities in Emergent Market Economies;
- Trends illustrated by the outputs of the CEDEFOP-led exercise show that early identification of the demand for skills coupled with a thorough appraisal of supply are paramount if one is to avoid waste of precious and in most cases scarce resources;
- In the near future, a STRATEGIC choice will have to be made with respect to the approach taken – either surveys or macro-modelling. The extent to which either will manage to convince it the next couple of years will be crucial;
- Nevertheless, one way or another a national capacity on LM& SKILL NEEDS ANTICIPATION will have to be built.
- **Networking** with its **European counterparts** will be however key to its successfulness and usefulness and therefore, keeping alive the *“CEDEFOP-connection”* might prove....quite important after ALL!