

## THE INFLUENCE OF NON-EUROPEAN WORKERS ON THE NATIONAL LABOR MARKET

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**Abstract:** *The growing labour shortage in our country is prompting more and more companies to turn to importing employees from outside the European Union to develop their businesses. In this context, the issue of non-EU workers in Romania represents a complex subject of undeniable relevance and extreme importance for Romanian society. In this research, I aim to carry out an in-depth analysis, both theoretical and practical, of the current internal regulations concerning the conditions that employers must meet when hiring non-EU workers.*

**Key words:** *non-EU worker, unemployment, Employment policy, work permit.*

**JEL Classification JEL:** *K31, J08, J61.*

### 1. Introduction

The growing labor shortage faced by companies in Romania, primarily driven by the migration of Romanian workers to countries with greater economic stability, negative demographic trends, and the demands in increasing workforce due to the rapid economic growth experienced by our country, has made it imperative to open the labor market to workers from non-EU countries.

In this context, legal migration is seen as a way to address the domestic labor shortage, fill gaps in specific skills, and support economic growth. The government plays a crucial role in facilitating this process in line with its labor migration policy by annually setting a quota for workers from outside the European Union, based on the current labor market needs.

### 2. Literature review

The migration phenomenon has captured the attention of experts, who have analyzed both the causes driving the process and its effects on host countries. Regarding the causes of migration, a review of the literature highlights several factors: the increasing demand for workers in host countries combined with a surplus of human resources in countries of origin, local populations' reluctance to accept jobs that confer low social status or offer inadequate remuneration (Gorodzeisky & Semyonov, 2017), dramatic events occurring in the countries of origin, and favorable legal frameworks (Olof, Anders, & Liljeberg Linus, 2017). Dorn and Zweimüller (2021) suggest that immigration levels are positively correlated with income levels in host countries. Additionally, Guzi et al. (2023) demonstrate that migration has positive economic and social effects, reflected in the host country's revenue, trade, direct foreign investment, and innovation.

The study by Guzi et al. (2023) demonstrates that the amount of immigrants in the labor market, their entry into the host market, their composition, and legal status are influenced by immigration policies, which vary significantly across EU countries. Heidenreich's (2023) study is also noteworthy, as it examines labor market opportunities for both European and non-European immigrants. The author highlights that labor market integration for immigrants is a multifaceted challenge. Key risks faced by the immigrant population include unemployment, job insecurity, overqualification, or low wages. The study, based on data

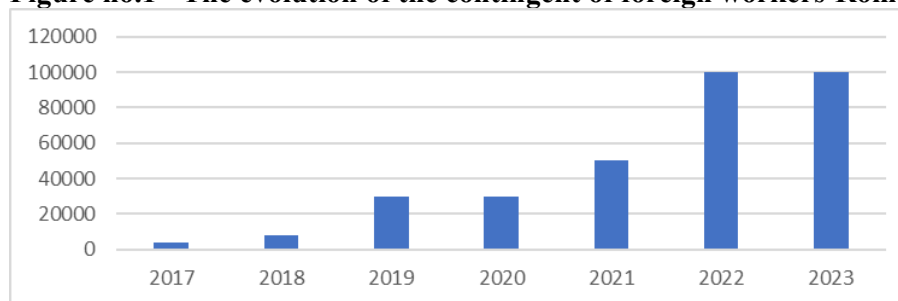
from 30 countries between 2007 and 2018, shows higher unemployment rates among non-European immigrants compared to European migrants, as well as wage disparities between migrants and natives. It is important to note that immigrants encounter several challenges when integrating into the local labor market, such as limited knowledge of the local language and culture, restricted access to information and social networks, and fewer opportunities for professional credential recognition, particularly for non-European immigrants (Gorodzeisky & Semyonov, 2017).

Considering both gender and birthplace, immigrant women often hold the most disadvantaged position in European labor markets (Schieckoff & Sprengholz, 2021). Building on these realities, the research by Platt, Polavieja, and Radl (2021) examines the impact of national legislation on immigration in Europe. The authors demonstrate the heterogeneity of integration policies from the perspective of immigrants through an analysis covering the period from 2002 to 2012. Their research focuses on anti-discrimination legislation, recognition of qualifications, immigrants' labor market rights, employment support, and access to social security benefits. The study, based on data from 6,176 immigrants aged 16 to 64 across 23 European countries, shows a negative relationship between labor market rigidity and immigrants' occupational scores, as well as a strong positive correlation between anti-discrimination policies and immigrants' occupational outcomes.

Building on these findings, this article aims to analyze the key indicators characterizing Romania's labor market and present the national policies regarding the employment of immigrants.

The article will start from pointing out the fact that between 2017 and 2023, the quota for foreign workers in Romania increased from 4,000 in 2017 to 100,000 in 2023 (Figure 1). According to data provided by the General Inspectorate for Immigration, 108,884 work permits were issued in 2022, and 101,240 permits were issued in 2023 (Ministry of Internal Affairs, IGI, 2023).

**Figure no.1 - The evolution of the contingent of foreign workers-Romania**



Source: compiled by the author based on government decisions from 2017 to 2023 establishing the foreign worker quota.

According to data from the same institution, the number of foreign nationals with residence permits for employment, secondment, or dependent activities in Romania was 72,337 as of September 30, 2023.

In line with the increase in the foreign worker quota, the number of active full-time employment contracts registered by Romanian employers for employees from non-EU countries has also risen. In 2021, Romanian employers registered 54,292 new employment contracts for non-EU employees, in 2022 the number was 96,053, and from January 1, 2023, to October 10, 2023, an additional 81,927 new contracts were signed. According to data provided by the Labor Inspectorate, the number of active full-time employment contracts for

non-EU employees that were signed and terminated between January 1, 2023, and October 10, 2023, was 1,800. In 2022, the number of such contracts signed and terminated was 2,545, and in 2021, it was 2,233.

This has led to the need for increased flexibility in legislation, particularly in the regulations governing the employment of foreign nationals in Romania, both to accommodate a larger influx of workers and to streamline the applicable procedures.

### **3. A short presentation of the actual labour market markers in Romania**

The immigration phenomenon, became for the first time in 2022, the main factor that contributed to the population increase. The balance of international migration was positive, with the immigrants outnumbering the emigrants by little over 85 thousand. During the year 2022, most emigrants were men(50,2%), while also constituting a majority among immigrants(53,3%).

According to data provided by INS(2023) on the 1st of January 2023, the active civilian population was 8051,2 thousand people, representing 42,3% of the total population of the country. The number of occupied population was 7812,1 thousand, with employees constituting 71,77%(5607,2 thousand). The division of employees on economical branches was as follows: 64,4% in the services branch(3611 thousand), 33,23% in the industry and construction branch(1863,3%) and 2,37% in agriculture, forestry and pisciculture.

At the end of 2022, 89% of the occupied population was working in non-agricultural branches, respectively: social and comercial services-55,7% and industry and constructions-33,3%.

Data provided by INS shows a percentage of employment of 62,3% in 2022. The gender structure is as follows: 66,8% men and 55,7% women.

Another important indicator for the labour market is the number of unemployed people registred at the work force occupancy agencies. In 2022, this number increased by 1,8% compared to 2021, respectively 464,4 thousand people. The gender layout shows males represent more than half of the unemployed persons(53,2%). 2023 comes with an improvement in the labour market, unemployment numbers decreasing by 8,8 thousand.

Salaried peoples' numbers decreased by 60,1 thousand in 2023 compared to 2022, accounting for 85,7% in the employed population. The structure of employed population on economical sectors was: 54,9% in services, 33,2% in industry and constructions and only 11,9% in agriculture.

In 2023, self-employed people and unpaid family workers represented 13,0% of the employed population. As an indicator, in 2023, the unemployment rate was 5,6%. The difference between genders remains constant, with an unemployment rate of 5,9% in men and 5,1% in women. Regarding the structure on residencial areaa, INS data shows a 8,8% in the rural area compared to only 3,0% in the urban area. The unemployment rate in young people was 21,8%.

According to INS data(2024) regarding the demand in work force in 2023, the average number of vacant jobs was 39.934, decreasing by 5.2 thousand from the previous year. The average yearly rate of vacant jobs, respectively: the ratio between the average yearly rate of vacant jobs and the average yearly rate of total jobs was 0,78%, decreasing by 0,12% from the previous year.

By analysing the necessity of workers on economical sectors, the highest average yearly rates of vacant jobs were registred in financial and insurance brokerage(1,60%), public administration(1,45%) and electricity, heat, hot water and AC production and supply(1,39%). In numbers, most vacant jobs are in the industry(12.717 vacant spots), retail( 4796 spots),

public administration and defense(3952 spots). The lowest annual average rates of vacant spots were in the mining industry(0,29%), constructions(0,33%) and hotels and restaurants(0,47%).

The highest number of vacant jobs was registred in major group 2(11,5 thousand vacant spots) and major group 9(5,7 thousand spots). This data also matches with the workforce demand, which was 0,98% for major group 2 and 0,84% for major group 9. The registred workforce demand for administrative workers was 0,85%.

#### **4. Employment of Foreign Nationals in Romania: The Procedure for Obtaining a Work Permit**

Employing foreign labor from outside the European Union involves a legal procedure that employers often find complex and time-consuming. The legal framework for this process includes: Emergency Ordinance No. 194/2002 on the regime of foreigners in Romania; Law No. 76/2002 on the unemployment insurance system and employment stimulation; Ordinance No. 25/2014 on the employment and secondment of foreigners in Romania, and on the amendment and completion of certain regulations concerning the regime of foreigners in Romania; The Labor Code.

Although the legislative framework for employing foreigners has been continuously improved to adapt national regulations to the dynamics of professional migration and to facilitate the integration of these workers into the Romanian labor market, the procedure for hiring foreigners remains far from straightforward.

According to a 2023 study by AFSRU, 83% of companies consider the bureaucratic and discouraging legislative framework to be the biggest obstacle in recruiting non-EU labor. National legislation (Emergency Ordinance No. 194/2002 on the regime of foreigners in Romania, republished) distinguishes between foreigners and stateless individuals. Specifically, Article 2, paragraphs (1) (a) and (b) of OUG 194/2002 defines a foreigner as a person who does not hold Romanian citizenship, while a stateless person is a foreigner who does not hold the citizenship of any country.

Depending on the type and nature of the activity that the foreign national or stateless person will undertake in Romania, as well as their professional qualifications and the annual quotas established by government decision, foreigners or stateless individuals may be employed in Romania under various categories. These include permanent workers, trainee workers, au pair workers, seasonal workers, cross-border workers, detached workers, highly skilled workers, or transferred employees within the same company, as well as personnel with specialized qualifications. The law provides specific conditions for obtaining work permits for each of these categories.

According to Article 36 of the Labor Code, "foreign nationals and stateless persons may be employed under an individual employment contract based on a work authorization or a residence permit for employment purposes issued in accordance with the law."

In principle, employing foreigners by Romanian employers, whether individuals or legal entities, requires adhering to a procedure that includes the following steps:

- a) Obtaining a work permit;
- b) Obtaining a long-stay visa;
- c) Obtaining residence rights;
- d) Issuing a residence permit for employment or for secondment purposes.

According to Article 2, paragraph 1, letter (c) of Government Ordinance No. 25/2014, a work permit is an official document issued by the General Inspectorate for Immigration, which grants any interested employer the right to hire a foreign citizen for a specific position.

Letter (a) of the same article defines an employer as “a legal entity or an individual with a social or professional address, or domicile in Romania, or a branch in Romania of a foreign legal entity headquartered abroad, that hires a foreign national under the conditions of Law No. 53/2003 - the Labor Code, republished, with subsequent amendments and completions.”

The law mandates that employers obtain a work permit in order to employ a foreign national, while also specifying exceptions to this requirement. These exceptions outline situations where a work or secondment permit is not necessary for a foreign national to be employed or seconded in Romania.

The work permit is issued by the General Inspectorate for Immigration upon the employer's request, provided that the employer meets certain general conditions outlined in Article 4 of Government Ordinance No. 25/2014, as well as specific conditions depending on the category of workers to be employed (permanent workers, trainees, seasonal workers, au pair, highly skilled workers, cross-border workers).

The long-stay visa allows foreign nationals to enter and remain in Romania for a period of up to 90 days, granting them the right to request an extension of their temporary stay and obtain a residence permit from the Ministry of Internal Affairs – General Inspectorate for Immigration. This visa is issued only with the prior approval of the Ministry of Internal Affairs through the General Inspectorate for Immigration.

The long-stay visa for employment purposes (symbol D/AM) may be issued to foreign nationals who are to be employed in Romania, certifying both their right to work in the country as permanent workers and the right of individuals who will carry out their activities as seasonal workers in Romania.

Another type of visa, the long-stay visa for secondment purposes (symbol D/DT), may be issued to qualified foreign nationals who are employees of a legal entity based abroad and who are being seconded by their employer to perform work activities in Romania, in accordance with the law.

Foreign nationals seeking to work or engage in professional activities for a limited period may be granted the right to temporary residence if they meet specific legal conditions. Once obtained, the temporary residence permit for employment purposes can be extended upon request for a period equal to the duration of the employment contract, but no more than two years. This extension is granted provided the individual holds a full-time employment contract registered in accordance with the law, and their salary meets at least the minimum gross wage or, in the case of highly skilled workers, the average gross wage.

There are exceptions to this rule for highly skilled workers, whose temporary residence permit for employment can be extended for the duration of their employment contract plus an additional three months, but no longer than three years. Seasonal workers, on the other hand, can have their temporary residence permit extended for the duration of their contract plus five days, with a maximum total stay of 180 days within any 365-day period.

If a foreign worker's employment ends before the expiration of their single permit or EU Blue Card, these documents remain valid either for the period during which the foreign national receives unemployment benefits, as provided by applicable law, or, if no benefits are received, for up to 90 days from the date the employment ends.

Regarding the formalities, residence permits are issued by the General Inspectorate for Immigration according to the category of workers they apply to (permanent workers, trainees,

seasonal workers, au pairs, highly skilled workers, cross-border workers), or in the form of an EU Blue Card. The EU Blue Card is issued to foreign nationals who have had their temporary residence permit extended as highly skilled workers or, in some cases, granted without the need for a visa.

## 5. Conclusion

The aim of this article was to evaluate the employment process of non-european immigrants in Romania starting from their impact on the macroeconomic indicators and also on the cultural aspects in the host country.

The paper showcases the procedure through which the work permit could be obtained according to romanian laws, even though, according to specialists, it is difficult and often times deters the romanian employer. Our aim is to keep researching by analysing the main domains where non-european immigrants operate and also by measuring the impact on national economy.

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