

THE LABOR MARKET IN ROMANIA: CHALLENGES AND OPPORTUNITIES

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Abstract

This paper addresses a series of aspects that characterize the Romanian labor market in the context of contemporary economic, technological and demographic changes. The study highlights the main factors influencing the labor market, but also the challenges and opportunities generated by the current socio-economic context. The paper emphasizes the need for coherent public policies, continuous training and cooperation between institutions, the private sector, and individuals, to transform current changes into competitive advantages.

Keywords: labor market, job vacancies, unemployment rate, employment, skills

Clasificare JEL: J21, J23, J62

1. Introduction

The labor market is an essential element of the economy, being the space where labor supply and demand meet. It is not only a mechanism through which individuals find jobs and companies secure the necessary human resources, but also reflects the economic, social and demographic dynamics of a society. The efficient functioning of the labor market directly influences the level of employment, productivity and, implicitly, the standard of living of the population.

The Romanian labor market is currently influenced by the domestic economic context and the application of austerity measures, which determine an adjustment in the pace of economic growth and an intensification of uncertainty among economic actors. It also faces a series of major challenges driven by accelerated technological changes, digitalization, globalization, labor migration, and the transition to a green economy, all of which require constant adaptation of public policies and organizational strategies. But at the same time, these challenges can actually constitute opportunities for developing labor force skills, insertion into the labor market, and increasing employment.

In this context, labor market analysis becomes essential for identifying challenges, but also for capitalizing on existing opportunities, so as to ensure a balance between the needs of employees, employers, and the objectives of the national economy.

2. Factors influencing the labor market

The labor market is deeply influenced by its socio-economic context, which defines the conditions in which the labor force is formed, mobilized, and realizes its potential. This context includes a combination of factors, such as economic, demographic, technological and social factors that interact in a complex way, and determine both the challenges and opportunities of the labor market.

- Economic factors. The state of the national and international economy directly influences the demand and supply of labor. During periods of economic growth, companies expand their activity, the demand for labor increases, and wages are more competitive. In contrast,

economic recessions or periods of stagnation cause job losses, increased unemployment, and pressures on working conditions.

- Demographic factors. A country's human capital is a strategic resource for its well-being [1] and the structure of the population has a direct impact on the labor market. Phenomena such as population aging, youth migration, and regional mobility influence the availability and quality of the labor force. Romania is facing a sharp demographic imbalance: a declining active population, massive youth migration abroad, and a growing proportion of elderly people. These trends generate pressure on the pension system, on education, and on the need to retrain employees.
- Technological factors and digitalization. Technological transformations represent one of the most important factors influencing the labor market. Automation, artificial intelligence and digitalization produce changes in the structure of skills demand, eliminating certain traditional jobs and creating new ones, especially in the field of IT, digital services and industry. In Romania, adaptation to these changes is still ongoing, with sectors that are developing rapidly and others that are facing a shortage of qualified staff.
- Social and educational factors. The level of education, work culture, social mobility and attitude towards employment influence both the supply of labor and its quality. In Romania, disparities between regions, differences in access to education, and qualifications that do not correspond to market demand, constitute major challenges. At the same time, social changes, such as the flexibilization of work and the increasing importance of work-life balance, shape employees' expectations and employers' strategies.
- Globalization and European integration. The integration of the Romanian economy into European and global structures has had a significant impact on the Romanian labor market. Access to external markets, foreign direct investment and free labor mobility have created new opportunities, but have also generated increased competition. Adapting to European standards in labor, wages and social security has been and remains a constant challenge.

3. Analysis of some specific labor market indicators

In Romania, "the year 2025 began with quite visible changes in the main indicators on the labor market, developments that more clearly reflected the slowdown in economic activity observed since the previous year." [13]

This trend continues to manifest itself against the backdrop of the austerity measures adopted this year which materialized, among others, in the increase in VAT and excise duties, the restriction of public spending, the freezing of salaries in the budgetary sector, and also of pensions. All of this has the effect of reducing the purchasing power and consumption of the population — which, in turn, determines the decrease in demand for goods and services, and implicitly a slowdown in economic activity. In this situation, some companies may be negatively affected, which will cause a decrease in profit margins, investments and, consequently, slowdown in development and reduction of employment, and in some cases, even the restriction of activity and layoffs. "Looking ahead, consumer demand will probably continue to record modest developments, against the backdrop of the erosion of the purchasing power of the population (generated by the acceleration of the annual inflation rate), but also of a possible reduction in the number of employees in the second half of 2025." [14]

A relevant indicator for characterizing labor demand is the job vacancy rate. According to Eurostat, „the job vacancy rate measures the proportion of total posts that are vacant”. „A job vacancy is defined as a paid post (newly created, unoccupied or about to become vacant) for which the employer is taking active steps to find a suitable candidate from outside the enterprise

concerned and is prepared to take more steps and which the employer intends to fill either immediately or in the near future.” [5]

Romania currently has the lowest job vacancy rate in the European Union, according to Eurostat, registering only 0.6% in the first quarter of 2025, compared to the Netherlands (4.2%), Belgium (4.1%) and Austria (3.6%) and the EU average of 2.2% (Figure 1).

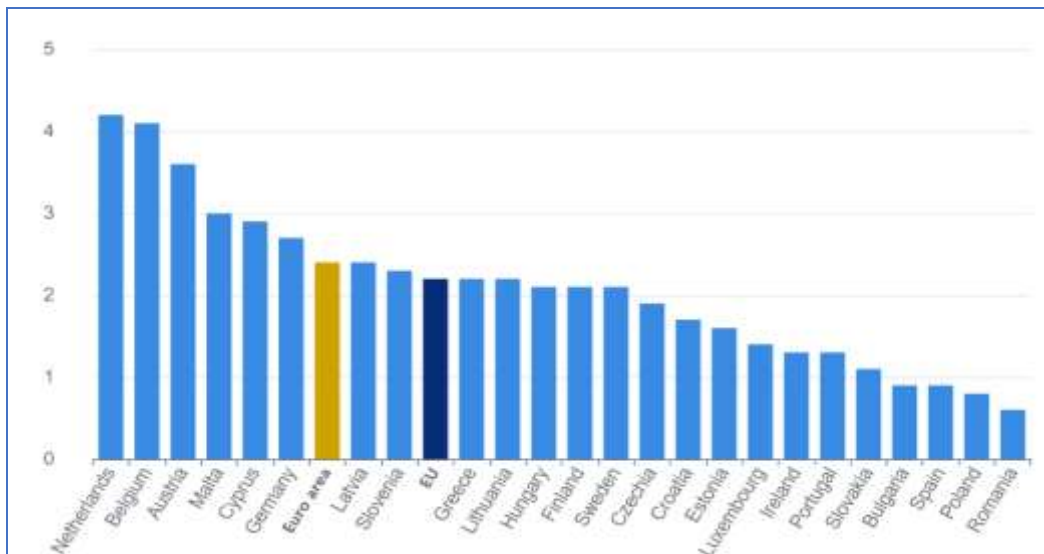


Figure 1. Job vacancy rates, whole economy, first quarter of 2025 (%). *Source:* [5].

The low level of the job vacancy rate in Romania may be a consequence of the stagnation of the investment flow due to the reluctance of entrepreneurs to develop their businesses, in the context of the fiscal austerity that characterizes the Romanian economy, in the current period. The downward trend of job vacancies at the national economy level has been evident since 2022, currently recording the lowest value of this indicator (Figure 2).

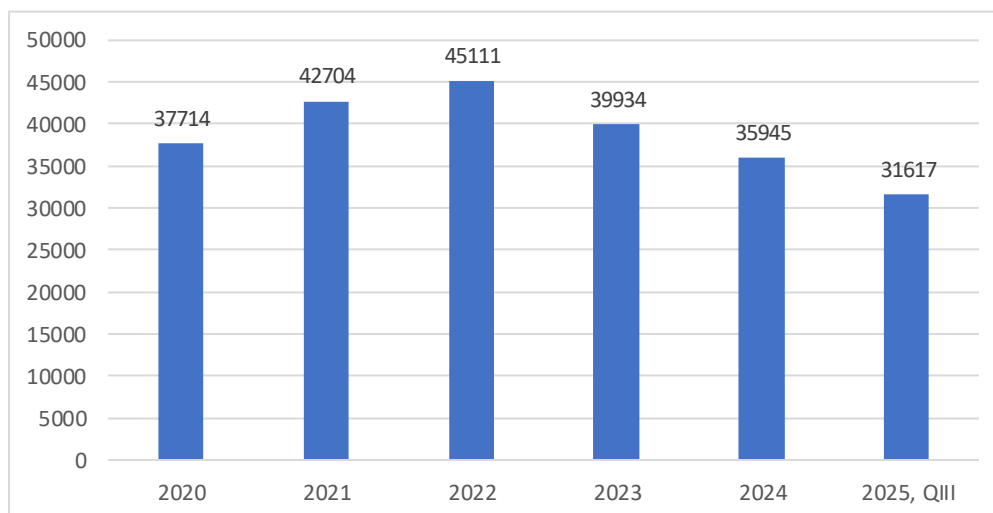


Figure 2. Job vacancy, whole economy (number). *Source:* [11].

Regarding the distribution of job vacancies by development regions, the aforementioned downward trend is maintained and significant regional disparities are recorded, reflecting the different level of economic development, labor mobility, industrial structure and investment

dynamics in each region. Developed regions (Bucharest-Ilfov, North-West, Center) benefit from a more dynamic business environment, characterized by a high level of investment, a diversified economic infrastructure, and a stimulating entrepreneurial climate, which translates to a higher capacity to generate jobs and a significantly wider offer of employment opportunities, while less developed regions (South-West, South) have difficulties in attracting new investments, offer fewer economic opportunities, and as a result the number of job vacancies is lower (Figure 3).

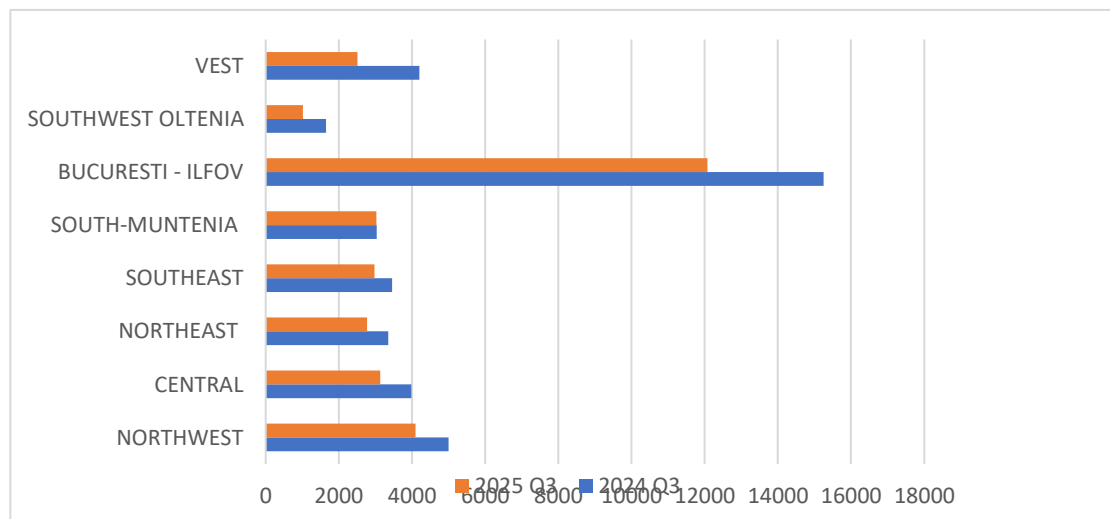


Figure 3. Regional distribution of job vacancies (number). *Source:* [11].

By sectors of the national economy, higher vacancy rates are recorded in the production and supply of electricity and heat, gas, hot water and air conditioning (1.99%), public administration (1.10%), and transport and storage (1.07%) [11], reflecting the need for labor in areas that are in transition to the green and digital economy. These areas require a workforce specialized in clean technologies, energy efficiency, digitalization and sustainable infrastructure management. For example, the energy sector is directly influenced by the expansion of renewable energy production, the modernization of networks and the implementation of energy efficiency solutions, which generates increased demand for engineers, technicians, automation specialists or energy transition experts. This trend is also observed at a global level, where, in 2023, 16.2 million jobs were created in the field of renewable energy, of which 1.8 million jobs in the European Union. Romania alongside Poland, Hungary and France had the largest number of biofuel-related jobs in the EU 27 in 2022.[10] At the same time, in Romania "the energy sector attracted significant investments during 2025, with the projects carried out mainly aiming to capitalize on the potential of green energy, increase the storage capacity of electricity obtained from renewable sources, as well as reduce dependence on imports by expanding local production of storage batteries." [14] In contrast, low vacancy rates are recorded in sectors such as services (0.16%), extractive industry, hotels and restaurants or real estate transactions (0.19% for each). [11]

In the context of the slowdown in economic activity, in parallel with the decrease in the number of job vacancies, there is also an increase in the unemployment rate compared to previous years. (Figure 4)

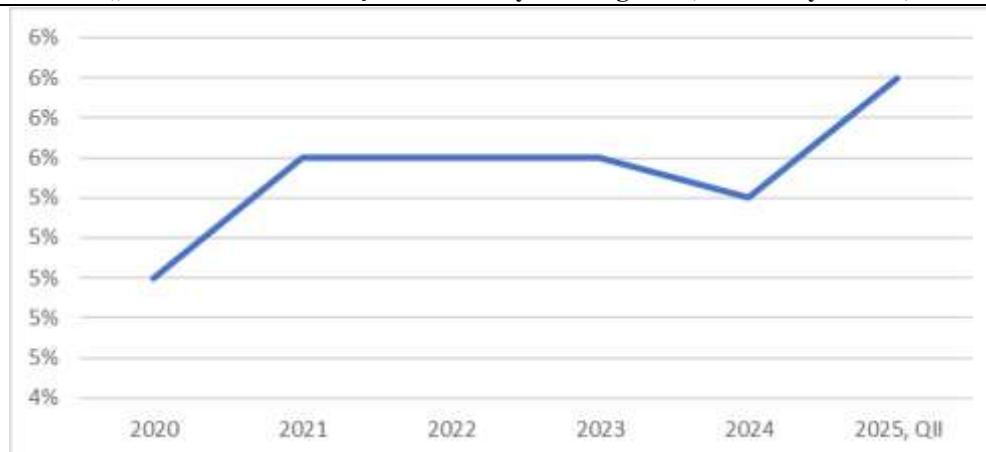


Figure 4. ILO unemployment rate evolution. *Source:* [11].

The highest unemployment rate is found among young people aged 15–24, for both men and women, confirming the specific vulnerability of this category in the transition from education to employment. After this stage, the unemployment rate drops sharply for the 25–34 age group and stabilizes thereafter, maintaining low and relatively uniform values among the 35–44, 45–54 and 55+ age groups (Figure 5). This suggests a more solid integration into the labour market as individuals gain experience and professional skills. Gender differences are minimal in most of the groups analysed, indicating relative equality in employment opportunities. The only notable exception is among young people (15–24 years old), where women have a slightly higher unemployment rate than men, suggesting possible additional difficulties in accessing their first job.

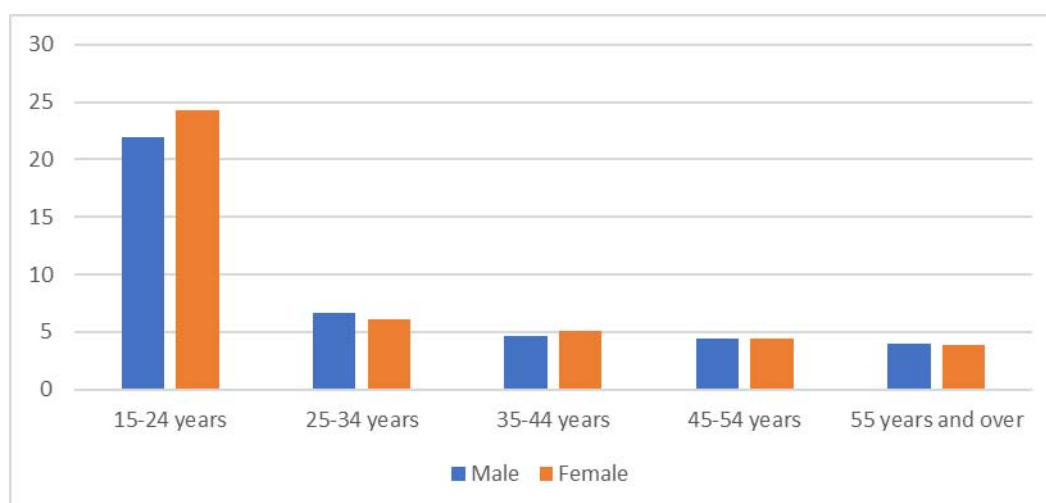


Figure 5: Unemployment rate by age group and gender, Q3 2025 (%). *Source:* [12].

"In the context of the prolonged slowdown in economic activity, in 2025, the labor market became visible in a de-escalation trend. The unemployment rate rose to values higher than those recorded in the last four years, while the job vacancy rate is at its lowest level in the last decade. The number of employees decreased in quarterly terms, and the probability of a recovery in the near term remains low, with recruitment intentions becoming almost zero in the third quarter of 2025." [14].

Analyzing the relationship between unemployment and job vacancies, we note that Romania is currently located in an area of the Beveridge curve characterized by a relatively weak

labor market, the main challenge not being the sharp mismatch between labor supply and demand, but the low level of aggregate labor demand. This situation reflects moderate economic activity characterized by a reduced potential for job creation, wage growth and employment, thus limiting labor market dynamics and the economy's capacity to absorb structural unemployment or stimulate employment mobility. In this context, caution is advised, as deepening vulnerabilities in the adjustment of the labor force to economic changes could have medium-term implications for competitiveness and overall economic performance. (Figure 6).

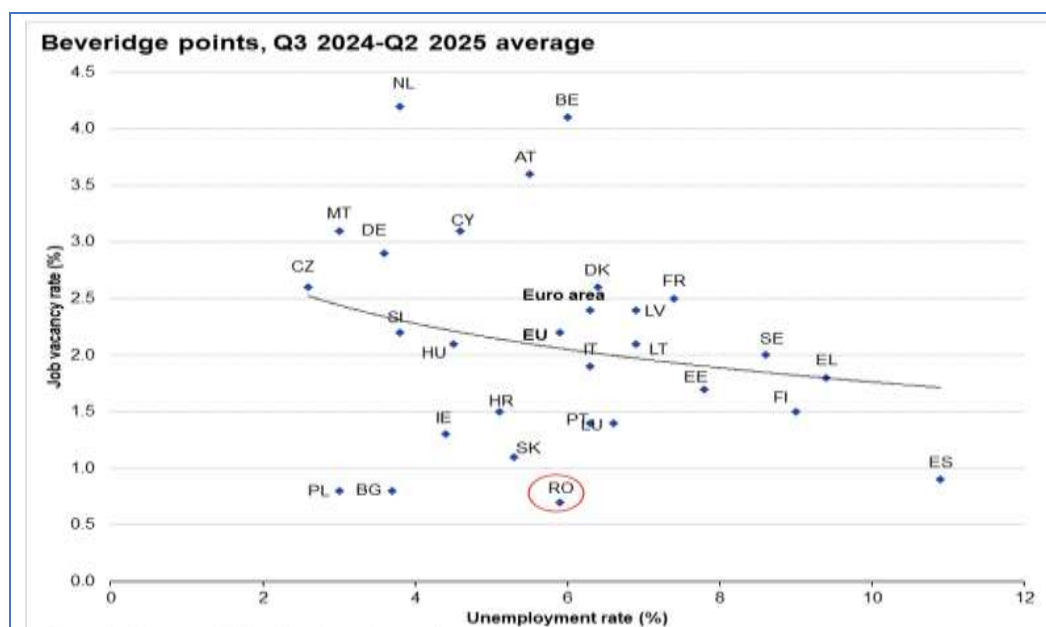


Figure 6. Beveridge points, Q3 2024-Q2 2025 average. *Source:* [6].

4. Challenges and opportunities

The Romanian labor market is currently going through a period of adjustment, in which austerity measures temper hiring dynamics, amplify companies' caution in expanding their workforce, and contribute to consolidating a climate characterized by increased uncertainty and moderation in staff demand.

Given the socio-economic context described above, we believe that the accelerated transformations driven by the transition to the green and digital economy, process automation, the evolution of artificial intelligence, but also demographic changes will generate both challenges and opportunities on the labor market, redefining the necessary skills and the way people relate to professional activities.

It is estimated that as technology advances, more and more jobs will disappear, but at the same time the demand for skills specific to the digital field and the use of artificial intelligence (AI) will increase. In Romania, investments in digitalization, especially in the public sector, are significant, with progress being made in institutional modernization, public administration being one of the areas with the highest rate of job vacancies. However, according to data from 2023, only 27.7% of Romania's population had basic digital skills (2030 national target of 50%), significantly below the EU average of 55.56%. [4] This discrepancy shows that digital transformation cannot be reduced to infrastructure alone, but involves a complex and long-term process, involving continuous education and training. „Romania still needs to do more to support the upskilling and reskilling of workers. Key potential measures could include integrating life-long learning policies in upskilling and reskilling schemes and constant dialogue between the education and private sectors to understand the market needs and adapt the school curricula accordingly.” [4]

Another challenge for the Romanian labor market is the increasing interest of employers in attracting and retaining talent. Demographic changes (such as population aging, migration, and shrinking labor force) reduce the availability of young and active labor — which increases competition for capable and qualified candidates. [16]. In this context, it has become essential for employers to invest in employer branding, to develop effective talent retention policies, in a word, to offer quality jobs – as an essential condition for high participation in the labor market and for increasing productivity. [3]

In the process of transitioning to a green economy, organizations are increasingly engaging in environmentally responsible practices, which is leading to the emergence of new areas of activity on the labor market. The transition to a green economy is expected to be a major source of job growth, offsetting job losses in sectors undergoing restructuring, such as the coal mining sector. [9]

Although it no longer manifests itself at the intensity of a decade ago, labor migration continues to decisively influence the Romanian labor market, "the brain drain and the shortage of qualified labor being factors that negatively affect Romania's productivity and economic competitiveness." [16]

The departure of a significant number of skilled workers to Western European countries has generated persistent imbalances in many sectors – from healthcare and construction to IT and services. Even though the pace of migration has slowed down, the construction sector, for example, continues to face staff shortages [2], the difficulty of filling specialized positions, the increasing need to import labor from outside the EU, etc. Thus, migration remains a determining factor shaping the dynamics of the labor market, but also the recruitment and retention strategies of companies in Romania.

5. Conclusions

The Romanian labor market is currently facing significant transformations, driven by both domestic macroeconomic developments and accelerated processes of transition to the green and digital economy. Macroeconomic policies directly influence the dynamics of the economy, by moderating consumption, increasing prudence in the private sector and, in some situations, limiting the institutional capacity to support public investments. As a result, the pace of job creation is moderating and employers' behavior is becoming increasingly cautious, which increases uncertainty in the short and medium term. In this context, the labor market is configured as a system in an adjustment process, the developments of which are deeply influenced by the interaction between macroeconomic policies, the structure of the economy and the adaptability of the workforce.

At the same time, the transition to a green economy, in line with climate neutrality objectives, is generating new employment opportunities in sectors such as renewable energy, energy efficiency and waste management, while also posing challenges for traditional sectors dependent on fossil resources, requiring professional retraining programmes. Accelerated digitalisation is also transforming the structure of employment, creating demand for skills in IT, cybersecurity and data analysis, while automation is reducing jobs in some traditional fields, highlighting the importance of adapting education and training to new market requirements.

In conclusion, we find that the Romanian labor market is reconfiguring at an unprecedented pace, and the success of adaptation depends on the cooperation between institutions, the private sector and individuals. The need for adaptation — in terms of training, retraining, active employment policies — is becoming increasingly important to cover potential imbalances between demand and supply. The future belongs to economies that combine flexibility with stability, technology with social responsibility, and innovation with human capital development. By understanding and adequately managing current challenges, solid opportunities can be created for a more efficient, more inclusive and more sustainable labor market.

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