

# LABOR MARKET DYNAMICS AND THE EVOLUTION OF THE MINIMUM WAGE IN ROMANIA (2020-2025): A STATISTICAL AND CONTEXTUAL ANALYSIS

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**ABSTRACT:** *This article analyzes the evolution of the main labor market indicators and minimum wage policies in Romania during the period 2020-2025, providing a statistical and contextual picture of them. The methodology used involved the analysis of two primary data sets, complemented by external economic reports, in order to perform a descriptive and comparative analysis. The findings reveal a steady increase in the nominal gross minimum wage, often accompanied by a complex, non-linear trend in the total number of employees at the minimum wage, suggesting a “wage spillover” effect. Employment data indicate a general increase in the number of contracts, with persistent gender disparities and a clear preference for permanent contracts. The period under review is marked by the post-COVID-19 recovery, significant inflationary pressures and government interventions aimed at economic stabilisation and social inclusion. The analysis suggests a dynamic labour market, adapting to economic shocks and policy changes, with implications for wage competitiveness, regional disparities and the continued need for structural reforms to address skills shortages, labour market rigidities and the informal economy.*

**Keywords:** *minimum wage; labor market; regional disparities; structural reforms; informal economy.*

## 1. Introduction

The period 2020-2025 represents a crucial interval for the Romanian economy, marked by the persistent effects of the global COVID-19 pandemic, significant inflationary pressures and subsequent policy responses aimed at ensuring economic stabilization and sustainable growth. In this dynamic context, the analysis of the labor market and the evolution of the minimum wage becomes essential for understanding economic resilience and social well-being..

The overall macroeconomic context for Romania in 2020-2025 was complex. After a less dynamic 2024, the Romanian economy was on track to accelerate in early 2025, supported in particular by the construction, agriculture and services sectors, as well as improved export prospects. Gross Domestic Product (GDP) recorded robust growth of 5.9% in 2021 and an estimated 4.8% in 2022, followed by moderation to 2.2% in 2023 and 0.9% in 2024. Projections point to a modest recovery to 1.4% in 2025 and consolidation to 2.2% in 2026 [1]. This growth was largely driven by consumption, although investments in public infrastructure, partly financed by European funds, contributed significantly.

Inflation has been a major challenge, rising significantly from 2.6% in 2020 to 13.8% in 2022 and 10.4% in 2023, before easing to 5.3% in 2024 [2]. Forecasts suggest a continued deceleration, with an annual inflation rate of 4.95% in January 2025 and projections of 2.5% to 3.5% by the end of 2025 or 2026.1 This high inflationary environment has had direct implications for real wage growth and purchasing power. The unemployment rate has remained relatively low over the period, fluctuating around 5.03% in 2020, 5.6% in 2021 and an estimated 5.5% in 2022, with projections of a marginal decline to around 5% by the end of 2026.

The impact of the COVID-19 pandemic on the Romanian labor market was less severe in terms of youth employment, recording a decrease of less than 2 percentage points, compared to other EU member states [3]. However, the total number of employees was influenced by both the pandemic and accelerated digitalization trends [4].

Fiscal and monetary policies have become more restrictive [5], in response to a significant government deficit (9.3% of GDP in 2024), partly fueled by public sector wage and pension increases. Fiscal consolidation efforts are planned [6] Wage increases are projected to moderate, with a public wage freeze adopted in December

2024 and a new minimum wage setting mechanism introduced in February 2025, designed to limit wage growth in the private sector.

The importance of analyzing the labor market and the minimum wage in the current socio-economic context is fundamental to understanding living standards, income distribution, and overall economic stability. The evolution of these indicators provides critical information about the socio-economic health of a nation and the effectiveness of its policy interventions. Consistently increasing the minimum wage is a key policy lever, aiming to improve the living standards of low-income workers and reduce poverty. However, its broader impact on employment levels, business competitiveness, and inflationary pressures requires rigorous, data-driven examination.

#### **Objectives of this article are:**

- Analysis of the annual evolution of key labor market indicators, including the number of people with employment contracts, the total volume of contracts, the gender distribution of contracts and the types of contracts (indefinite vs. definite), at the level of counties in Romania, during the period 2020-2025.
- Examining trends in gross minimum wage values and the corresponding number of employees receiving these wages over the same period, identifying any unexpected dynamics.
- Identify and discuss the interdependencies between these labor market indicators, minimum wage policies, and the broader macroeconomic context, including the effects of economic shocks and government fiscal and social policies.
- Highlighting significant regional disparities and persistent structural challenges on the Romanian labor market.
- Providing data-based insights and policy recommendations to promote a more stable, fair and adaptable labor market in Romania.

## **2. Data and methodology**

The presented analysis is based on two primary data sets, complemented by contextual information from reputable external sources. This approach allows for a holistic understanding of labor market dynamics and the impact of the

minimum wage in Romania.

#### **Description of data sources [7]**

IM Statistics 2020-2025.xlsx: This primary dataset provides detailed county-level labor market statistics for Romania. Data points are recorded annually on April 15, covering the period 2020-2025. This file is essential for analyzing employment trends, contract types, and gender distribution within the formal labor market.

SAL Minim.csv: The second primary dataset contains information on minimum wage values and the corresponding number of employees receiving these wages. Similar to the Stats.csv file, it provides county-level data for the same period (2020-2025), with annual snapshots as of April 15. This dataset is central to understanding the impact and scale-up of minimum wage policies.

#### **Explanation of the structure and meaning of the columns**

From Stats.csv:

- ReferenceDate: Indicates the reference date for the data, in the format YYYY-MM-DD (April 15). This fixed annual snapshot allows for consistent year-to-year comparisons.
- County: specifies the county in Romania for which the aggregated data is presented. This allows for granular regional analysis.
- No. of persons with at least 1 CIM: represents the number of unique persons who hold at least one active individual employment contract (CIM) on the reference date. This is a crucial indicator for assessing the overall employment rate of persons.
- NrCIM\_Male: total number of CIMs held by male employees.
- NrCIM\_Feminine: total number of CIMs held by female employees.
- NrCIM\_sexNED: The total number of CIMs for which the employee's gender is not specified or determined. This category is generally small, indicating a comprehensive capture of gender data.
- NrCIM\_Total: the aggregate sum of NrCIM\_Male, NrCIM\_Female and NrCIM\_sexNED. This represents the total volume of active employment contracts. It is important to note that this figure may be higher than Nr persons with at least 1 CIM if persons hold multiple employment contracts.
- NrContracte\_DN: the number of permanent

employment contracts, meaning stable, long-term employment relationships.

- **NrContracte\_DD**: the number of fixed-term employment contracts, indicating temporary or project-based employment.

From SAL Minim.csv:

- **ReferenceDate**: reference date for minimum wage data, also consistently April 15.
- **SalariuMin**: represents the value of the gross minimum wage paid at national level, expressed in lei (RON). A key aspect observed in this column is the presence of multiple **SalariuMin** values for the same **Reference Date** (for example, for April 15, 2025, 4582 RON are indicated for the construction sector and 4050 RON for all other sectors of the national economy). This phenomenon indicates a differentiated minimum wage system in Romania, possibly as a result of:
  - legislative differentiations: different minimum wage levels for specific categories of employees (e.g. minimum wage for employees with higher education vs. general minimum wage).
  - sector-specific regulations: minimum wages established for certain economic sectors.
  - the timing of policy implementation: changes in minimum wage policy could come into effect around the reference date, leading to an aggregation of data that reflects distinct active values.
- **County**: specifies the county in Romania.
- **Nr Salariati NI**: denotes the number of employees receiving the specified Min Wage in the respective county on the reference date. The abbreviation "NI" is not explicitly defined in the documents provided. However, in the context of minimum wage statistics, it is most plausibly interpreted as "Number of Employees at Lower Level" or "Number Registered", referring to those paid at or around the minimum wage threshold. For the purpose of this analysis, it will be treated as "the number of employees paid at the specified minimum wage level."

### Analysis methods

To carry out this analysis, the following methods were used:

- **Descriptive statistics**: calculating totals, averages, and distributions for key indicators,

providing a fundamental understanding of the data.

- **Comparative analysis**:

- **Year-on-year trends**: tracking the evolution of indicators during the 2020-2025 period to identify increases, decreases or stability.
- **Inter-county disparities**: comparing data between different counties to highlight regional variations in employment patterns and the impact of the minimum wage.
- **Data aggregation**: summing data at the county level to obtain national totals for specific indicators, allowing for a macro-level perspective.
- **Contextual integration**: interpreting statistical findings within the broader socio-economic and political context, establishing connections with external reports on inflation, GDP growth, government policies and structural challenges. This approach allows for a more nuanced understanding of underlying causes and effects.

## 3. Evolution of key labor market indicators (2020-2025)

### 3.1. Employment and individual employment contracts (IEC)

The analysis of national data indicates a positive evolution of employment in Romania during the period 2020-2025. The number of single persons holding at least one individual employment contract (IEC) has registered a constant, albeit modest, increase during this period. For example, the aggregate national total increased from approximately 5.69 million in April 2020 to approximately 5.91 million in April 2025. This trend suggests a general expansion of the formal labor force or an improvement in the formal registration of employment over the observed years.

In parallel, the total number of active employment contracts (**NrCIM\_Total**) showed a more significant increase. The national total increased from approximately 6.47 million in April 2020 to approximately 6.76 million in April 2025. This divergence, where the increase in the total number of contracts exceeds the increase in the number of unique individuals with CIM, indicates a growing prevalence of individuals holding multiple employment contracts or a general increase in the average number of

contracts per employed person. This trend suggests increased flexibility of the Romanian labor market.

It can be interpreted that individuals take on multiple part-time roles to supplement their income, or that employers structure their work through multiple smaller contracts to manage costs, access diverse skills, or adapt to fluctuating demand.

This development has wider implications for social security contributions, worker benefits and the overall stability and quality of employment. It may also reflect a response to labour shortages by spreading available work across multiple contracts rather than creating new full-time jobs (Tab. 1).

situation requires targeted regional development policies and infrastructure investments (as highlighted by the EBRD and EU financing initiatives) to promote more balanced economic growth and job creation at national level.

### 3.2. Distribution of CIMs by gender and contract types

At the national level, the total number of employment contracts held by male employees (NrCIM\_Male) was consistently higher than that of contracts held by female employees (NrCIM\_Female) in all years of the period 2020-2025. This observation, together with external data confirming a lower overall

Table 1: National evolution of people with at least 1 CIM and total CIMs

Year	No. of people with at least 1 CIM	No.CIM_Total
2020	5,692,886	6,467,882
2021	5,744,710	6,556,085
2022	5,837,610	6,668,524
2023	5,899,674	6,753,044
2024	5,904,044	6,738,547
2025	5,905,246	6,759,514

Note: Aggregated data from IM Statistics 2020-2025.xlsx - Stats.csv

At the inter-county level, Bucharest has consistently remained the largest employment center, dominating both the number of unique individuals with CIMs and the total volume of contracts.<sup>10</sup> Other significant economic centers include Cluj, Timiș, Brașov, and Iași, which are major cities and economic regions in Romania. These regions attract a disproportionately large share of the labor force due to their diverse economic activities and greater employment opportunities. The sustained dominance of these major urban centers, in terms of individual employment and total volume of contracts, demonstrates an increasing concentration of economic activity and job creation in these areas.

This concentration is likely to attract labour from less developed rural areas or smaller counties. This pattern reinforces existing regional imbalances and contributes to the urban-rural divide. The implications include a continued internal migration from less economically dynamic counties to these urban centres, a phenomenon which, combined with the broader trend of emigration [8], could exacerbate labour shortages in some peripheral regions. This

employment rate for women (54.3%) compared to men (71.7%) in 2023 [9], indicates a structural gender disparity in the formal labour market. However, regional variations were observed, with some counties (e.g. Argeș, Botoani, Brăila, Buzău, Hunedoara, Olt, Teleorman, Vaslui, Vrancea) recording a higher number of contracts held by women in certain years. This suggests sector-specific employment patterns, where women may be more concentrated (e.g. light industry, services, health). The number of contracts with undetermined sex (NrCIM\_sexNED) was consistently low (although increasing year on year), indicating a high degree of completeness of the data on sex identification.

This persistent disparity can lead to significant differences in earning potential, career advancement opportunities and long-term social security benefits (e.g. pensions) between the sexes. It contributes to wider socio-economic inequalities and suggests that policies aimed at promoting gender equality in the workplace, such as equal pay initiatives, flexible working arrangements and support for women in leadership roles, remain critical (Tab. 2).

Table 2: National distribution of CIMs by gender and contract types (2020-2025)

Year	CIM_Male	CIM_Female	NoCIM_sexNED	NoContracts_DN	NoContracts_DD
2020	3,259,668	3,192,630	15,584	5,926,664	541,218
2021	3,302,555	3,235,402	18,128	5,954,565	601,520
2022	3,333,693	3,307,954	26,877	6,074,350	594,174
2023	3,366,742	3,348,180	38,122	6,185,063	567,981
2024	3,363,832	3,329,654	45,061	6,205,851	532,696
2025	3,364,106	3,336,870	58,538	6,227,523	531,991

Note: Aggregated data from IM Statistics 2020-2025.xlsx - Stats.csv

In terms of contract types, permanent contracts have overwhelmingly dominated the Romanian labor market throughout the period. The ratio of fixed-term to permanent contracts has remained relatively stable over the observed years, indicating a strong preference and prevalence of stable, long-term employment relationships. This signals a high degree of employment stability, which is generally beneficial for worker security and for the long-term economic planning of households.

However, this stability, while desirable, can also contribute to labour market rigidity, a challenge explicitly mentioned in the EBRD analysis. A rigid labour market can make it harder for businesses to adapt quickly to economic downturns or technological change and can make it more difficult for newcomers (especially young people) to get their first job, as employers may be reluctant to hire if contract termination is costly or complex. Policymakers face a delicate balance: promoting employment stability while ensuring sufficient flexibility for the labour market to remain dynamic and responsive. This could involve exploring mechanisms to facilitate smoother transitions between contract types and investing in vocational training to reduce skills mismatches.

## 4. Evolution of the minimum wage and affected employees (2020-2025)

### 4.1. Trends in the gross minimum wage

The gross minimum wage in Romania has demonstrated a clear and consistent upward trajectory over the period 2020-2025. Specific values from the SAL Minim.csv file and other sources for the snapshots from April 15 are:

- 2020-04-15: 2,230, 2,350, 3,000 RON
- 2021-04-15: 2,300, 2,350, 3,000 RON
- 2022-04-15: 2,550, 3,000 RON
- 2023-04-15: 3,000 (3,300 from October 1),

4,000 RON

- 2024-04-15: 3,300 (3,700 from July 1), 4,582 RON
- 2025-04-15: 4,050, 4,582 RON

The increase to RON 4,050 in January 2025 represents a significant nominal jump, marking the third indexation within 12 months (from RON 3,300 in October 2023, to RON 3,700 in July 2024 and then to RON 4,050 in January 2025). The increase on [July 1] 2024 was noted as the largest (compared to January 2023) in percentage terms (23%) since 1989.

The period was characterized by high inflation rates (e.g. 13.8% in 2022, 10.4% in 2023, 5.3% in 2024, 4.95% in January 2025). While the net minimum wage has shown a steady and substantial upward trend, viewing these increases in isolation can be misleading. Comparing the nominal increase with the high inflation rates prevalent over the same period, it appears that the real purchasing power of minimum wage earners has likely been eroded or, at best, stagnated (at least until 2023). This situation has direct and significant consequences for the living standards of low-income households, potentially increasing their vulnerability to poverty and social exclusion [11], despite government efforts to improve their incomes. This highlights a critical policy challenge, where nominal wage adjustments struggle to keep pace with inflationary pressures, highlighting the importance of considering real wages, adjusted for inflation, in policy discussions (Tab. 3).

Regarding the European regulation suggesting that the minimum wage should represent half of the average gross wage, the minimum wage of RON 4,050 in 2025 represents approximately 43% of the average gross wage of RON 9,415 reported for May 2025, approaching the target. The government's constant pressure to increase the minimum wage aligns with social protection objectives and compliance with EU recommendations.

Table 3: Evolution of the gross minimum wage by years and inflation rate

Year	Gross minimum wage (RON)	Annual inflation rate (%)
2020	2230, 2350, 3000	2.6
2021	2300, 2350, 3000	5.1
2022	2550, 3000	13.8 (NSI)
2023	3000, 4000	10.4
2024	3300, 3436, 4582	5.6 (NSI)
2025	4050, 4582	4.95 (January)

Note: Minimum wage values are the only ones recorded on April 15 of Each year.

Inflation rates are the most relevant data available for that year from the sources provided.

However, the Ministry of Finance's explicit negative outlook for growth in 2025, combined with projections of moderating wage growth and concerns about a high fiscal deficit, reveals a fundamental policy dilemma. Rapid wage increases, if not supported by corresponding productivity gains, can put pressure on public finances, harm business competitiveness, and further fuel inflation.

The introduction of a new minimum wage setting mechanism<sup>1</sup> is a direct response to this complex balance. This situation reflects the inherent tension between achieving social equity (ensuring a decent living wage) and maintaining macroeconomic stability (controlling inflation and fiscal deficits) and economic competitiveness. Future policy decisions will require careful calibration, potentially focusing on productivity-enhancing investments<sup>1</sup> and structural reforms to enable sustainable real wage growth without undermining overall economic health.

#### 4.2. Number of employees paid the minimum wage

The total number of employees officially registered at the national minimum wage level showed a fluctuating and non-linear trend, in contrast to the steady upward trajectory of the nominal minimum wage itself ( Tab. 4):

- 2020: 1,643,358
- 2021: 1,609,481 (a decrease)
- 2022: 1,400,202 (a significant decrease)
- 2023: 1,873,101 (a significant increase)
- 2024: 1,010,014 (a dramatic decrease)
- 2025: 1,037,729 (a slight increase)

As with overall employment, major economic centers such as Bucharest, Cluj, Ia i, Timi and Bra ov consistently recorded the highest number of minimum wage employees, reflecting their larger labor markets. However, many individual counties also reflected the national trend of overall decline in minimum wage employees, particularly visible in 2024.

Table 4: Total number of employees at the minimum wage by years

Year	Total number of employees at the minimum wage
2020	1,643,358
2021	1,609,481
2022	1,400,202
2023	1,873,101
2024	1,010,014
2025	1,037,729

Note: Aggregated data from IM Statistics 2020-2025.xlsx - Stats.csv

The most striking finding is the inverse or nonlinear relationship between increases in the nominal minimum wage and the fluctuating (often decreasing, especially in 2024) number of employees officially registered as earning the minimum wage. If the minimum wage increases, one might intuitively expect the number of people earning it to remain stable or increase as more people are “raised” to the new threshold. The observed decline, especially the sharp drop in 2024 (from 1.87 million to about 1,000,000), suggests that as the minimum wage is increased, employers are not simply adjusting their employees’ wages to the new minimum wage. Instead, they are likely adjusting the wages of these employees to levels above the new minimum.

This phenomenon is known as the wage spillover effect, where the impact of a minimum wage increase extends beyond those at the bottom of the wage distribution. This suggests that minimum wage increases in Romania may be more effective in pulling a wider segment of the low-wage workforce above the minimum wage threshold, rather than simply raising the level for a static group. This is a positive outcome for income distribution and, potentially, for reducing the proportion of the workforce at the lowest wage level. However, it also implies increased wage pressure on businesses, which could lead to strategies such as automation, downsizing in low-skilled sectors, or a change in the structure of employment.

The presence of multiple minimum wage values for the same year (e.g. 2024 shows 3,300, 3,436 and 4,582 RON) and subsequent changes in the distribution of employees according to these values (e.g. concentration of employees at the higher thresholds in 2024-2025) are critical. The dramatic decrease in the total number of employees at the minimum wage in 2024, coinciding with the introduction of new higher minimum wage thresholds, suggests that many workers who were previously at a lower level of the minimum wage could have benefited from a wage increase to a level that is now above the new general minimum wage, or moved to a higher differentiated minimum wage category. This highlights the importance of understanding the specific legislative context and implementation details of minimum wage policies. A simple aggregate number of “minimum wage employees” may mask complex dynamics and the impact of

differentiated wage policies. Future policy evaluations and labor market analyses should delve deeper into these specific wage levels and their effects on different segments of the workforce, rather than relying solely on general minimum wage statistics.

## **5. Discussions and implications**

The period 2020-2025 demonstrates a resilient Romanian labor market, marked by an overall increase in formal employment (both of individuals and the total volume of contracts), indicating a recovery from the initial economic shock of the COVID-19 pandemic. This resilience is supported by a growing economy, albeit at a moderate pace. The steady increase in the nominal minimum wage<sup>9</sup> has had a complex impact. Although it was intended to improve living standards, the analysis suggests a “wage spillover effect”, where a significant share of low-wage employees benefited from wage adjustments to levels above the new minimum, rather than remaining strictly at the minimum threshold. This indicates a broader influence of minimum wage policy on the overall wage structure.

The high inflationary environment prevailing throughout much of this period is likely to have dampened real gains from nominal wage increases, posing a significant challenge to households’ purchasing power and living standards and potentially contributing to a slowdown in private consumption. Fiscal pressures, stemming from a substantial government deficit, underline the need for moderation in public wage increases and a prudent approach to wage policies in the private sector, highlighting the ongoing tension between social objectives and fiscal sustainability.

The impact of the COVID-19 pandemic and digitalization on the labor market is notable. Although the pandemic caused global disruptions, youth employment in Romania has shown relative resilience, recording a smaller negative impact compared to some EU countries.<sup>7</sup> This suggests underlying adaptive capacities in the labor market or specific policy measures that mitigated the shock. Both the pandemic and the accelerated pace of digitalization have contributed to structural changes in the number of employees and in the labor market as a whole. This implies a trend towards higher productivity, potentially

through automation, and a growing demand for new and different skill sets.

The combined influence of an external shock such as COVID-19 and the ongoing internal process of digitalization indicate that the Romanian labor market is undergoing an accelerated structural transformation. This is not just a return to pre-pandemic conditions, but an evolution towards new forms of work and requirements for different skills. The mention of a need for over 600,000 highly skilled workers by 2030 directly supports this observation. This rapid transformation requires proactive and robust workforce development policies. Significant investments in retraining and upskilling programs are crucial to ensure that the workforce can adapt to the demands of a more digitalized and automated economy.

Failure to address this skills requirement could lead to an increase in skills mismatches, higher structural unemployment, and could hinder Romania's long-term economic competitiveness.

The analysis of structural challenges highlights several persistent issues. Despite relatively low overall unemployment rates, the Romanian labor market continues to face challenges related to rigidity and significant out-migration. These factors contribute to persistent regional disparities and may lead to acute labor shortages in specific sectors (e.g., healthcare, IT) or geographic areas, even in the context of overall employment growth.

A substantial informal economy, estimated at around 1.4 million people or around 25% of full-time employees in 2021, remains a major structural challenge. This phenomenon not only deprives the state of significant tax revenues, but also distorts fair competition and leaves a large segment of the workforce without adequate social protection, benefits and formal career progression. A critical and growing concern is the projected need for over 600,000 highly skilled workers (e.g. IT specialists, lawyers, healthcare workers) by 2030.

This indicates a significant skills mismatch between supply and demand in the labour market, which could hinder future economic growth and innovation. Romania has significantly lower rates of teleworking compared to the EU-27 average (2.1% occasionally, 1.2% usually working from home in 2023, compared to 13.3% and 8.9% in the EU-27). This could restrict labour market flexibility, hinder access to a wider pool of talent

(both domestic and international), and affect productivity and work-life balance.

The challenges identified – labour market rigidity, emigration, undeclared work and skills shortages – are not isolated issues, but are deeply interconnected and mutually reinforcing. For example, emigration can exacerbate skills shortages, while the lack of attractive formal employment opportunities (perhaps due to rigidity or insufficient wages) can push individuals into the informal sector. The prevalence of undeclared work, in turn, undermines the formal labour market and social safety net.

Effectively addressing these complex structural problems requires a holistic and coordinated policy framework, rather than piecemeal interventions. Hence the need for comprehensive measures to improve the attractiveness and quality of formal employment (e.g. competitive wages, better working conditions, career development opportunities), strengthen enforcement mechanisms against undeclared work, and make substantial and sustained investments in education, training and lifelong learning, adapted to future market demands. In addition, promoting modern working arrangements, such as teleworking, could increase flexibility and attract talent.

The role of government initiatives and EU funds in the development of the labour market and the social economy is significant. EU-funded investments, especially in public infrastructure, are projected to be a key driver for gross fixed capital formation and overall economic growth. These investments indirectly create jobs and improve the business environment. The social economy sector is recognised as a strategic resource with accelerated growth, demonstrating significant job creation potential, in particular for vulnerable groups. This sector is actively supported by substantial EU funds, such as the European Social Fund Plus (ESF+ Just Transition) and the Danube Delta Integrated Territorial Investments (ITI), with projections of creating almost 30,000 jobs by 2026. Specific funding opportunities, such as the €30 million allocated to SMEs promoting the circular economy in the North-East region [12], illustrates targeted investments designed to stimulate sustainable growth and create new types of jobs in emerging sectors. The public employment service plays a role in active labour market policies, providing subsidies to employers and incentives



to the registered unemployed to facilitate their integration into the labour market.

There are, however, limitations to the data that need to be acknowledged. The data obtained do not explicitly differentiate minimum wage employees by economic sector or education level. Such granularity would allow for a deeper analysis of the impact of differentiated minimum wages and their specific effects on different segments of the workforce. While correlations and trends can be identified, the aggregated nature of the data limits the ability to infer specific causal relationships (e.g., the direct impact of a minimum wage increase on individual hiring decisions or job retention). The report also relies exclusively on quantitative data. Integrating qualitative data (e.g., employer surveys, employee testimonials) could provide richer insights into experiences and perceptions of labor market dynamics and minimum wage policies.

Directions for future research include investigating the long-term impact of minimum wage increases on specific industries, regional economic development, and overall income distribution. Analyzing the effectiveness of different types of employment contracts (fixed-term vs. open-ended) in promoting labor market dynamism and worker security, as well as analyzing the precise mechanisms of wage spillover effects, would also be valuable. Future studies could also focus on the effectiveness of specific government programs and EU funds in addressing the identified structural challenges.

## 6. Conclusions

The Romanian labor market has demonstrated a remarkable degree of resilience and growth in formal employment between 2020 and 2025, successfully navigating the initial economic shock of the COVID-19 pandemic. Both the number of unique individuals with employment contracts and the total volume of contracts have increased, with a discernible trend towards individuals holding multiple contracts. A significant and continuous increase in the nominal gross minimum wage has been observed over the period. Paradoxically, this has often been accompanied by a fluctuating or even decreasing number of employees officially registered at the minimum wage, with a particularly sharp decline in 2024. This suggests a “wage spillover effect”, where minimum wage increases effectively push

a broader segment of low-wage employees above the minimum wage.

Despite the overall increase in employment, persistent gender disparities in the volume of employment contracts were evident, with men generally holding more contracts nationally. The labour market is predominantly characterised by permanent contracts, indicating a strong preference for employment stability.

Several deep structural challenges continue to affect the Romanian labor market, including rigidities, significant emigration, a substantial informal economy, and a growing skills shortage. The combined effects of the pandemic and digitalization are accelerating a structural transformation, underscoring the urgent need for a highly skilled workforce. Government policies, significantly reinforced by substantial EU funds, are actively targeting key areas such as infrastructure development, social inclusion through the social economy, and sustainable growth, with the aim of addressing these multiple challenges. Based on the data analysis, the following public policy recommendations can be formulated:

- **Targeted and predictable salary policies:** continue to adjust the minimum wage in a predictable and transparent manner, taking into account not only nominal increases but also the impact of inflation on real purchasing power. The implementation of the minimum wage setting mechanism should balance social objectives with fiscal sustainability and economic competitiveness.
- **Strategic investments in skills development:** Given the accelerated structural transformation and projected skills shortages, massive and sustained investments in education, vocational training and lifelong learning programmes are essential. These must be aligned with the demands of the future labour market, especially in fast-growing sectors such as IT and healthcare.
- **Promoting labor market flexibility:** While the stability of permanent contracts is beneficial, mechanisms need to be explored to increase labour market flexibility without compromising workers' security. This could include facilitating transitions between contract types and encouraging modern working arrangements, such as teleworking, to attract and retain talent.

- Combating the informal economy: intensify efforts to reduce undeclared work through legislative and enforcement measures and by creating incentives for formalizing employment. A more formalized labor market will ensure better social protection for workers and higher revenues to the state budget.
- Balanced regional development policies: Given the persistent regional disparities and economic concentration in certain urban centers, targeted policies and investments in infrastructure and economic development in less developed counties are needed to create employment opportunities and reduce internal and external migration.
- Continuous and granular policy evaluation: Detailed monitoring and assessment of the impact of minimum wage policies, including wage spillover effects and the impact on different categories of employees and economic sectors, is crucial. This requires the collection and analysis of more granular data that differentiates minimum wage employees by sector, education, and other relevant characteristics

## Notes

- [1] European Commission (EC) and the Organisation for Economic Co-operation and Development (OECD) for macroeconomic forecasts and economic outlooks.
- [2] National Institute of Statistics (INS) through various fragments, for data on inflation and general economic indicators.
- [3] [https://youth.europa.eu/news/effects-of-covid-19-youth-employment\\_en](https://youth.europa.eu/news/effects-of-covid-19-youth-employment_en)
- [4] Non-governmental organizations (Alături de Voi Foundation, AmCham Romania) for observations on the social economy, poverty risks and undeclared work
- [5] [https://mfinante.gov.ro/despre-minister/-/asset\\_publisher/uwgr/content/rom-c3-a2nia-mai-aproape-de-revenirea-pe-traectoria-fiscal-bugetar-c4-83-potrivit-moody-s](https://mfinante.gov.ro/despre-minister/-/asset_publisher/uwgr/content/rom-c3-a2nia-mai-aproape-de-revenirea-pe-traectoria-fiscal-bugetar-c4-83-potrivit-moody-s)
- [6] Ministry of Finance (MoFinance) for budget reports and national economic forecasts
- [7] Statistics IM 2020-2025.xlsx - Stats.csv
- [8] European Bank for Reconstruction and Development (EBRD) for comments on structural labor market issues and strategic priorities
- [9] EURES (European Employment Services) for detailed information on the labour market, including employment rates, wage levels and skills shortages
- [10] [https://insse.ro/cms/sites/default/files/com\\_presa/com\\_pdf/cs04r25\\_0.pdf#:~:text=%C3%8En%20luna%20aprilie%202025%2C%20c%C3%A2%C5%9Ftigul%20salarial%20u,%C3%AE n%20sc%C4%83dere%20cu%2044%20lei%20\(%2D0%2C8%25\)%20fa%C8%9B%C4%83](https://insse.ro/cms/sites/default/files/com_presa/com_pdf/cs04r25_0.pdf#:~:text=%C3%8En%20luna%20aprilie%202025%2C%20c%C3%A2%C5%9Ftigul%20salarial%20u,%C3%AE n%20sc%C4%83dere%20cu%2044%20lei%20(%2D0%2C8%25)%20fa%C8%9B%C4%83)
- [11] [https://mfe.gov.ro/ghiduri\\_peos/peo-ghidul-sprjin-pentru-infiintarea-de-intreprenisio-ni-social-e-in-mediul-urban-iti-delta-dunarii/](https://mfe.gov.ro/ghiduri_peos/peo-ghidul-sprjin-pentru-infiintarea-de-intreprenisio-ni-social-e-in-mediul-urban-iti-delta-dunarii/)
- [12] <https://regionordest.ro/prioritatea-1/cresterea-durabila-a-imm/>

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Articles and publications on related topics:

**The future of work in the context of demographic changes and technological advances. Perspectives from Romania** – Vasilica Ciucă (coordinator), Marioara Iordan, Cristina Lincaru, Mihaela Nona Chilian; Strategy and Policy Studies, SPOS 2024, no.3, European Institute of Romania.

**Minimum wage and minimum decent living. From myths to opportunities** – Ștefan Guga, 2021, Friedrich Ebert Foundation.

**Analysis of the Romanian labor market** – 2023, conducted by PwC for AmCham Romania.

**Evolution of the guaranteed gross minimum wage in payment** – Denisa Crețu, 2024, Contextexpert.

**Romania introduces the mechanism for setting the minimum wage including in private companies** – Claudiu Zamfir, 2025, StartUp Café.