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The Duration of Individual Employment Contracts and the Evolution of Their Numbers in Romania Between 2019-2023

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Abstract: *The primary legal instrument governing individual relationships between employees and employers is the individual employment contract. The purpose of this paper is to present and briefly examine indefinite and fixed-term employment contracts not only from a theoretical perspective but also in terms of their numerical evolution during the period between 2019 and 2023, a timeframe that also saw the emergence of the COVID-19 virus. This analysis is relevant for understanding changes in the labor market as well as the fluctuations these two types of employment contracts experienced pre- and post-pandemic.*

Keywords: *individual employment contract, indefinite-term employment contract, fixed-term employment contract.*

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Preliminary Aspects Regarding the Duration of Individual Employment Contracts

The duration of individual employment contracts can vary depending on both their type and the applicable legislation.

According to human resources specialists, "Globally, labor market flexibility varies, with all types of employment contracts being present. For instance, the United States often use indefinite or at-will employment contracts, meaning that an employee can resign at any time without notice or fulfilling specific conditions. Conversely, in other parts of the world, countries have focused on indefinite-term employment contracts, which require strict legal conditions to terminate, aiming to protect employees" (Human Source, 2024).

At the European Union level, Directive 1999/70/EC concerning the framework agreement on fixed-term work (Council of the European Union, 1999) was adopted, serving as an exception to the indefinite-term individual employment contract, also known as a permanent employment contract. The directive resulted from negotiations between interprofessional organizations, namely the Union of Industrial and Employers' Confederations of Europe (UNICE), the European Centre of Employers and Enterprises providing Public Services (CEEP), and the European Trade Union Confederation (ETUC). These negotiations concluded with the signing of the framework agreement on March 18, 1999.

The framework agreement on fixed-term work aimed to establish minimum principles and requirements for fixed-term employment contracts (labor relations) to enhance the quality of work for employees hired on a fixed-term basis, thereby ensuring the application of the principle of non-discrimination. Another objective was to prevent potential abuse arising from successive fixed-term employment contracts.

Romania is among the countries that have aligned their legislation with the Framework Directive, incorporating the exception of fixed-term employment under specific cases and conditions expressly provided for in Articles 12(2) and 82 of the Labor Code (Romanian Parliament, 2003). As a general rule, Romania established indefinite-term employment, with strict regulations governing the termination of such contracts, as stipulated in Article 12(1) of the Labor Code (Romanian Parliament, 2003).

Features of the Indefinite-Term Individual Employment Contract(Standard)

The preamble of Directive 1999/70/EC, point 6, states that "indefinite-term contracts are and will remain the general form of employment relations between employers and workers and that they contribute to the quality of life for workers" (Council of the European Union, 1999).

An indefinite-term individual employment contract establishes an agreement between the employer and the employee, setting work conditions for an unlimited period. This arrangement provides greater stability for both parties in their contractual relationship.

Stability, loyalty, and a clear organizational structure are the three main advantages highlighted by human resources specialists. ”Statistically, private companies report higher turnover when they rely on indefinite-term employment relationships. Research indicates that increased profit margins largely stem from higher employee morale and productivity, along with improved customer retention and loyalty, creating stronger connections with clients. Additionally, recruitment costs are significantly reduced” (Human Source, 2024).

Thus, from the employer's perspective, opting for an indefinite-term employment contract with an employee leads to better human resource planning and long-term employee loyalty. Indefinite-term individual employment contracts are of exceptional interest to organizations as they prevent staff turnover and encourage employee training and development.

Employees choose this type of contract because it provides greater job security and access to benefits related to dismissals.

”The indefinite duration of the contract does not affect the employee's interests; on the contrary, it serves as a protective measure, ensuring the right to job stability. Furthermore, it does not negatively impact the employer's interests, as it allows for better work planning and organization, as well as the development and refinement of employee qualifications” (Țiclea, 2012).

For employees, indefinite-term contracts contribute to job stability and offer professional experience, which can lead to higher income.

However, disadvantages of permanent employment contracts have also been identified, such as increased employer obligations due to protective labor laws, including regulations on wages, seniority bonuses, and compensation policies for employees affected by collective layoffs.

Many companies have also faced challenges in finding permanent employees, prompting them to turn to staff leasing services through temporary employment agencies to provide temporary personnel.

The Fixed-Term Individual Employment Contract – An Exception to the Standard Employment Contract

The domestic legal framework governing fixed-term individual employment contracts is established by Articles 82–87 of the Labor Code, and these regulations align with Directive 1999/70/EC.

According to Article 12(2) of the Labor Code, as an exception—and not as an extended probationary period—a fixed-term individual employment contract may also be concluded under the conditions provided by law (Țiclea, 2002; Țiclea, 2020).

Fixed-term employment contracts address the needs of employers (primarily) and employees under certain general and specific socio-economic conditions. Employers may use this type of contract when they require human resources for a specific period or a temporary project. Similarly, employees may resort to fixed-term contracts when they lack income, until securing an indefinite-term job, or during school or university vacation periods.

Some authors have identified specific purposes for this type of contract: the restrictive definition of situations and conditions under which such contracts may be concluded, ensuring a certain quality of work and adherence to the principle of non-discrimination in labor matters, and preventing abuses caused by the excessive successive use of fixed-term individual employment contracts for the same position or role (Ștefănescu, 2017).

According to Article 82(2) of the Labor Code (Romanian Parliament, 2003), this type of contract must be concluded in writing as a condition for its validity, for a period not exceeding 36 months, as stipulated in Article 82 of the Labor Code (Romanian Parliament, 2003), and only under the conditions outlined in Article 83 of the Labor Code.

In accordance with Article 83 of the Labor Code (Romanian Parliament, 2003), the cases in which a fixed-term individual employment contract is permitted are:

- ”Replacing an employee in the event of the suspension of their employment contract, except when that employee is on strike”;
- ”Temporary increase and/or modification of the employer's activity structure”;
- ”Carrying out seasonal activities”;
- ”When concluded based on legal provisions aimed at temporarily benefiting certain categories of unemployed persons”;
- ”Hiring a person who, within 5 years from the date of employment, meets the conditions for retirement due to age”;

- ”Filling eligible positions within trade union organizations, employers' organizations, or non-governmental organizations, for the duration of the mandate”;
- ”Hiring retirees who, under the law, are allowed to combine their pension with their salary”
- ”In other cases expressly provided by special laws or for carrying out works, projects, or programs”.

It is observed that all the legal situations listed above are exceptions and refer to specific temporary activities or individuals in exceptional circumstances (retirement, appointment to eligible positions, or certain unemployed persons).

In practice, both advantages and disadvantages of fixed-term contracts have been identified. Among the advantages are the employee's flexibility, the experience gained, quick hiring, and cost savings in recruitment. The disadvantages identified include the lack of benefits, job instability, low employee morale, and difficulty in planning both professional and personal life among employees (Human Source).

Analysis of the Conclusion of Individual Employment Contracts in Romania between 2019 and 2023

To determine whether the pandemic had an impact on the labor market and whether it caused fluctuations in the number of individual employment contracts, it seemed relevant to observe the evolution of both indefinite-term and fixed-term contracts between 2019 and 2023 (Figure no. 1).

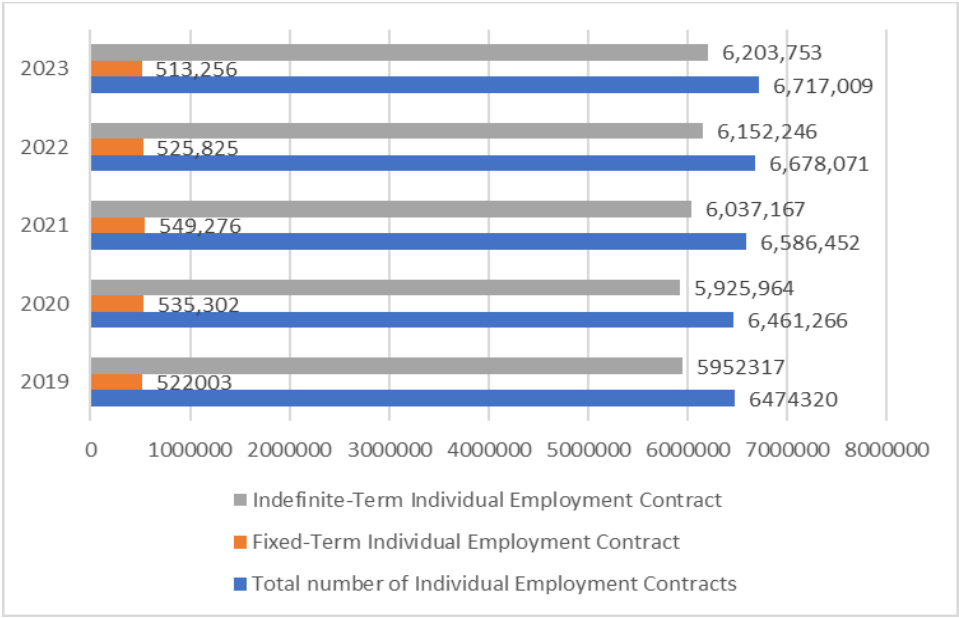


Figure 1: Evolution of the Total Number of Individual Employment Contracts and by Category in Romania, Between 2019 and 2023
Source: Processed data provided by the Labor Inspection.

From Figure 1, a slight difference in the number of individual employment contracts over the years 2019-2023 can be observed. Specifically, the year 2020 shows a decrease in the total number of individual employment contracts compared to 2019, with subsequent years experiencing an increase. This data reinforces the belief that the pandemic year 2020 negatively influenced the total number of contracts concluded and, consequently, the labor market in Romania. As expected, in 2020 and 2021, the number of fixed-term contracts increased compared to 2019. This suggests that employers were hesitant to sign long-term contracts with new employees due to the uncertain pandemic situation. In 2022 and 2023, the number of fixed-term contracts decreased, which justifies the post-pandemic relaxation and the increased confidence in long-term commitments.

Examining the situation of contracts by year from the official data of the Labor Inspection on December 31, 2019 , a total of 6,474,320 contracts were registered in REVISAL, of which 5,952,317 were indefinite-term individual employment contracts (91.94%) and 522,003 were fixed-term individual employment contracts (8.06%). Of the total indefinite-term contracts, the majority was full-time (approximately 88.45%). In the case of

fixed-term contracts, 55.10% were full-time and approximately 44.90% were part-time (Labor Inspection, 2023).

These data indicate that, for indefinite-term contracts, the majority were full-time. However, in the case of fixed-term contracts, the two categories (full-time and part-time) are almost equal.

On January 31, 2019, the total number of contracts was 6,362,617, and by December 31, 2019, this had risen to 6,474,320, reflecting an increase of 111,703 contracts, which marks a significant rise. There were monthly fluctuations, with periods of both increases and decreases in the number of active employment contracts. The influencing factors included seasonality in certain sectors of the economy, the renewal/extension of existing contracts, and new hires that typically occur at the beginning of the year or during peak periods for specific economic activities.

If we refer to the year 2020, it was heavily influenced by the pandemic, with a significant impact on the labor market, affecting hiring as well as business closures worldwide, including in Romania.

At the end of 2020, according to data from the Labor Inspectorate, the total number of active individual employment contracts registered in Romania was 6,461,266, of which 5,925,964 (91.71%) were indefinite-term contracts and 535,302 (9.33%) were fixed-term contracts. In 2020, the data shows that from March onward, the total number of contracts continuously decreased until July, when an increase in the total number of individual employment contracts was recorded, continuing through November, with the exception of August and December. The increase in November was justified by the decrease in the total number of contracts due to the expiration of fixed-term contracts, particularly seasonal ones.

The labor market in Romania in 2021 underwent a series of significant transformations and adaptations, influenced by the COVID-19 pandemic and the measures taken to support both employers and employees. Measures were implemented in favor of companies affected by the pandemic, such as subsidies during activity suspensions, with the goal of maintaining employees and, implicitly, active employment contracts. Many companies adopted flexible policies like teleworking, which helped to preserve jobs.

According to official information (Labor Inspectorate, 2021), by December 31, 2021, 6,586,452 active individual employment contracts were registered in the General Register of Employees (REGES). Of these, the majority—6,037,167—were indefinite-term contracts (91.66%), while 549,276 were fixed-term contracts (8.34%).

The year 2021 began with a total of 6,448,094 active employment contracts. In February, March, and April, the total number of contracts grew

steadily, reaching 6,547,747 in April. In May, the total number of contracts continued to increase, reaching 6,564,133, followed by a slight decrease in June to 6,540,007. This decrease was likely due to a reduction in fixed-term contracts, which fell from 262,493 in May to 207,606 in June. Indefinite-term contracts continued to rise, maintaining an upward trend.

In the months of July and August 2021, the total number of contracts remained relatively constant. In September, the total number of contracts rose again, reaching 6,613,677 in October, followed by a slight decrease in December to 6,586,452 contracts.

In 2022, the labor market in Romania continued to evolve and adapt in the post-pandemic context. According to data (Labor Inspection, 2022), by December 31, 2022, the number of active individual employment contracts was 6,678,071. Of these, 6,152,246 were indefinite-term contracts (92.13%), indicating a continued preference for long-term employment. A total of 525,825 contracts were fixed-term contracts (7.87%).

Throughout 2022, the number of employment contracts increased slightly compared to the previous year, reflecting a slight improvement in job stability and employer confidence in the economy. This increase was distributed between indefinite-term contracts and fixed-term contracts, with a clear majority in favor of long-term contracts.

By the end of December 2023, data shows that Romania had a total of 6,717,009 active individual employment contracts. Of these, 6,203,753 (92.36%) were indefinite-term contracts, and 513,526 (7.64%) were fixed-term contracts.

The labor market data for Romania in 2023 reflects a general trend of stability and adaptation to economic and social changes, with the number of indefinite-term contracts remaining dominant throughout the year. This indicates that these contracts provided stability not only for employers but also for employees.

In January 2023, with a total of 6,678,327 contracts, there was a steady increase in the number of active employment contracts, reaching a peak in May with 6,773,553 contracts. However, starting from June through August, a shift in dynamics was observed, with a slight decrease in the number of active individual employment contracts.

September 2023 saw a mild recovery, with the number of contracts returning to 6,721,218, and this upward trend continued until November, when the number of active contracts reached 6,769,021. As expected, December recorded a slight decrease in the number of individual employment contracts, dropping to 6,717,009. This decline can be attributed

to factors typical for the end of the year, such as staff adjustments or uncertainties related to the holiday period.

The highest number of new contracts in 2023 was concluded in the wholesale and retail trade, vehicle and motorcycle repair sectors, with 409,827 new employment contracts. The construction sector followed with 379,499 new contracts (Ministry of Labor and Social Protection, 2023).

Conclusions

Romania has adapted its legislation in accordance with Framework Directive 1999/70/EC and provided in the Labor Code in 2003 the exception for fixed-term employment only in cases and conditions expressly provided by law (Art. 12, para. 2 and Art. 82). Fixed-term contracts are often used as temporary solutions in situations provided for by legislation or as methods to assess employees before entering into a permanent (open-ended) contract with them.

As a result of the analysis we have conducted, we have observed that in Romania, the most common types of employment relationships are those based on indefinite-term individual employment contracts, while the number of fixed-term contracts remains low. This indicates that the Romanian labor market prioritizes income stability for employees and fosters loyalty between the parties involved in the employment relationship.

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