

# YOUTH EMPLOYMENT POLICIES IN THE CONTEXT OF ROMANIAN SUSTAINABLE DEVELOPMENT

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## Abstract

*Recent economic downturn felt at global, European and national levels has highlighted the need for coherent strategies and the adoption of active measures in the field of employment in order to ensure economic competitiveness. Faced with an alarming rate of youth unemployment (an average of 22.7% for the age group 15-24 years), the Member States of the European Union are facing a major challenge with respect to youth social inclusion. This paper presents a brief characterization of the youth labor market in some EU-27 Member States. Various European policies and instruments for youth employment as well as national employment policies for this demographic group are analyzed.*

**Keywords:** *employment vulnerability, youth unemployment, youth employment rate, youth employment policies*

**JEL Classification:** E24, J13, J21, J23, J48

## 1. INTRODUCTION

The recent economic downturn felt at global, European and national levels has highlighted the need to formulate coherent strategies and to adopt active measures in the field of employment in order to ensure economic competitiveness. Faced with an alarming rate of youth unemployment (an average of 22.7% for the age group 15-24 years), the Member States of the European Union are facing a major challenge regarding the social inclusion of young people.

Public policy for youth employment is at the crossroads of traditional employment policies, social inclusion policies, educational policies and youth policies. Youth insertion in the labor market raises a number of practical difficulties and it becomes a target dependent on the integrated context of national and European policies.

In Romania there are more than 6 million young people between 15 and 34 years. Statistical data for this age group reveal a steady decrease in the percentage of the population from 32.1% in 2003 to 28.6% in 2012. This phenomenon is the result of a combination of several factors: increased life expectancy, declining birth rates and emigration, the latter phenomenon involving young people in a proportion much higher than for other age groups.

Although in 2012 the share of young population in Romania is above the EU-27 average of 25.1%, the decrease in the last 10 years is much more pronounced. Eurostat projections show that the share of young people in the total population is expected to decline sharply by 2060, while Romania is among the countries greatly affected by this trend (starting 2015, the share of young population in Romania you will be below the EU-27 average). In 2012 the fertility rate in Romania was 1.3 well below the 1.6 EU-27 average level.

To meet these challenges, each Member State must invest in its young people and take immediate and effective action to prevent and combat the high levels of youth unemployment.

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Also, measures are needed to boost growth to create new jobs, but alone they are not enough to solve the problem of youth unemployment.

This paper presents a brief characterization of the youth labor market in some EU-27 Member States. Various European policies and instruments for youth employment as well as national employment policies for this demographic group are analyzed.

## **2. BRIEF OVERVIEW OF THE YOUTH EMPLOYMENT SITUATION**

Young people often have difficulties in finding jobs due to lack of experience and fewer skills compared to most adults already integrated into the labor market. According to Eurostat statistics, in 2013, unemployment rate for people aged less than 25 years exceeded that for other age groups and it had the highest annual growth; a record 5.611 million young adults did not have a job.

The high level of youth unemployment is representative and has two major influences: a lower employability of individuals and diminishing economic development opportunities, both nationally and globally. The overall level of unemployment has reached alarming levels despite the fact that in recent years the global economy has been growing.

Trends are particularly worrisome in Europe, where unemployment has reached a historic high (23.4% in the EU-28 in 2013). According to Eurostat statistics, the number of unemployed has increased more than 1.5 million in 2013 and it is still growing. At the end of 2013, in Greece, most youth (58.3%) did not have a job, and in Spain, 55.5%. Youth unemployment rate reached 49.7% in Croatia, in Portugal it reached 37.7% and in Romania, 23.6%. By gender, the unemployment rate for men exceeds 1.4 percentage points that of women.

In 2013, the employment rate of working age population (15-64 years) in the EU-28 was 64.1%, while for the population aged 12-24 years it was only 32.3%.

In late March 2014, the Romanian national unemployment rate was 5.56%, 0.02 percentage points lower than in March 2012 (ANOFM). The total number of unemployed registered by the county agencies for employment at the end of March 2014 was 503702 people, with 24339 people less than at the end of the previous month. Regarding the unemployment rate by gender, in March 2013 compared with the previous month, the male unemployment rate decreased from 6.48% value in February to 6.18%. Female unemployment rate decreased from 5.09% to 4.88%. Unemployment structure by age in March 2014 was as follows: 67722 unemployed people under 25; 40903 unemployed people between 25 and 29 years; 117796 unemployed people between 30 and 39 years; 143574 unemployed people between 40 and 49 years; 67346 unemployed between 50 and 55 years; 71311 unemployed were older than 55 years.

According to the Romanian National Institute of Statistics, in the fourth quarter of 2013, the unemployment rate in Romania for people aged 15-19 years and 20-24 years reached 33.3% and 22.6% respectively. The evolution of the main macroeconomic indicators that reflect the labor market situation of young people in Romania during the transition period does not show positive developments for people aged 15-24 years. However, the few existing jobs in the country were fully exploited, which can not be said of many other European Union countries.

The unemployment rate fell in most counties, the largest decreases occurred in the following counties: in Alba by 1.09 pp, 0.74 pp in Covasna, in Hunedoara by 0.71 pp, 0.68 pp in Mehedinți and in Bacău by 0.58 pp. The highest levels of unemployment have been reached in Vaslui (11.53%), Mehedinți (10.34%), Teleorman (10.17%), Dolj (9.68%), Alba (9.30%), Galați (9.05%), Buzău (8.54%), Ialomița (8.21%), Olt (7.94%), Gorj (7.79%) counties.

Among the factors that hinder and delay young people entering the labor market could be considered:

- lack of information, lack of access to social networks and connections among young people, especially young people who come from families without a significant social capital;
- lack of relevant job skills;
- even young people who have chosen their field of study considering their future professional orientation often accumulate general, theoretical knowledge which is not always relevant to activities associated with employment;
- lack of jobs that require entry level skills;
- lack of experience and recommendations to increase companies confidence in young people with employment potential.

Youth unemployment consequences directly impact the fluctuation of temporary staff employment. The accumulation of experience is reflected both at the individual level and in the development of the national labor market.

Also, high levels of unemployment cause the intensification of poverty and a lower cognitive, medical, nutritional and psychological standard of living. As young people get older and grow their own families, their failure to accumulate both economic capital and social capital can impact their children.

International Labour Organization talks about a global phenomenon, over 75 million educated youth looking for a job in the world, without success. ILO warned that there is a generation “scared”, marked by profound lack of activity and insecure jobs. Labor market recession may last a decade and it will be a lost decade, catastrophic political and economic.

According to Eurostat, in 2060, people over 65 will represent 30% of the population compared to 17.6% in 2012. Those over 80 years will be three times more in 2060 compared to 2012. The rate of population dependence will increase concern. The share of children and the elderly who can not support themselves in total population aged 15 to 64 years is approximately 49.3% and in 2060 it will reach 78%.

### **3. EUROPEAN AND NATIONAL STRATEGIES AND POLICIES FOR EMPLOYMENT**

The Lisbon Strategy was launched by the European Union to create a European economy competitive and able to cope with an aging population faced by most countries. The purpose of the strategy was to make the European Union “the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion” by 2010 ([www.anpcdefp.ro](http://www.anpcdefp.ro)).

The mid-term Review progress of countries, in 2005, showed that the initial “Lisbon Agenda” was too ambitious and that European countries have been slow to achieve its objectives.

The economic crisis that has swept the world in 2009 has eroded at least some of countries’ progress over the past few years. Unemployment has been increasing in Europe in 2009; growth rates were negative in most countries, budget deficits and rising public debt have been steep. Even with recent indications that some progress has been made, although specific targets were not met. Average occupancy rate in the EU in 2013 was close to the target of 65% [1], but the crisis has eroded some progress.

In March 2010 the European Union launched the 'Europe 2020' Strategy for smart, sustainable and inclusive growth. From the point of view of the labor market, the strategy aims to achieve 75% employment rate by 2020. Moreover, the strategy recognizes the importance of the education system to create a better educated workforce, qualified, and therefore sets the goals for early school leavers and tertiary graduates.

Given the increasingly serious employment situation of young people, the European Commission renews its efforts to address the situation by proposing ‘Youth Opportunities Initiative’, which is primarily aimed at young people who do not work and

are not in education or vocational training. Its aim is to combine the concrete actions of the Member States with EU actions, whose priorities were established in 'Europe 2020' Strategy, in the June 2011 conclusions of the Council on employment among young people and in Council Recommendation on policies to combat early school leaving.

The problems youth are facing in the labor market are structural in nature and are obvious for many years, even before the current crisis. The economic crisis started in 2008 has exacerbated the problems of youth. Unemployment among young people aged 15 to 24 years is over two times higher than for the population economically active in general and almost three times higher than for adults who are economically active. The number of young Europeans without a job rose by over one million in 2008-2012 and in the EU there are more than five million young people unemployed. The fact that at present, in the EU, one in five people can not find a job is indeed a concern. In addition, increasing long-term unemployment among young people is a particular concern. On average, 32% of unemployed young people aged under 25 remain in this situation for more than 12 months.

The initiative 'Youth on the move', published in September 2010 states that quality education and training for all, constant and successful labor market integration, decent work and adequate remuneration and opportunities for increased mobility are essential to liberate the potential of all young people and thus to achieve the objectives of the 'Europe 2020' strategy.

The economic crisis has proved to be so severe that reaching the objectives set for the 'Youth on the move' is not possible. Even worse, the situation of young people on the labor market is deteriorating steadily. The European Union must invest in young people and to immediately adopt effective measures to prevent and combat high unemployment, including long-term unemployment among young people. Funds available to stimulate economic growth are essential to the creation of new jobs, but they are not enough to solve the problem of youth unemployment.

The magnitude of the problems and root causes of youth unemployment vary from one Member State to another, generated by a number of factors, among which can be mentioned: i) early school leaving without getting a qualification; ii) lack of relevant skills and experience; iii) precarious work followed by periods of unemployment; iv) limited training opportunities; v) insufficient / inadequate active programs in the labor market.

Although the situation is particularly difficult in many countries, there are also countries with better performance, from which we can learn. In most Member States (13 of 28), in 2013, the rate of youth unemployment is higher than the EU average (3.4%). In two Member States the rates are below 10% (Germany and Austria), in seven countries rates vary between 10 and 20% and in other 12 states unemployment rates of young people aged under 25 years is between 20-30%.

The primary responsibility for combating youth unemployment belongs to the Member States, including at regional and local level. Member States authorities finance school programs and have the social and policy means and budgets needed to support employment programs for youth. The social partners at national or sectoral level also play an important role, especially in areas such as apprenticeships, training and working methods.

EU can play a supportive role in helping Member States to improve the situation of young people in terms of employment and education in two ways:

- by analyzing national policies and performance, highlighting the priorities of the EU perspective and suggesting lines of action based on good practices: this is done by examining the mutual coordination of economic, labor employment, educational and social policies in the context of the 'Europe 2020' Strategy, prepared on an annual basis through the European Semester of economic governance;

- by financially supporting national and cross-border activities in accordance with agreed priorities: this is achieved through various programs, in particular the European Social Fund and other EU programs such as the Lifelong Learning Programme, Youth in Action and PROGRESS, the last one specifically supporting new approaches to policies through social experimentation. Other EU funds such as the European Regional Development Fund, the European Agricultural Fund for Rural Development, the European Fisheries Fund and the European Fund for the Integration of third-country nationals also support measures to help fight youth unemployment.

European Commission, in ‘Annual Growth Survey 2012’, points to the first signs that Member States do not react sufficiently effectively to its recommendations. Social and professional integration of these young people is conditioned by the quality, the degree of sustainability and efficiency of the measures implemented by each government.

In Romania employment policies are embodied in measures such as: information and professional advice, labor mediation, training, advice and assistance to start a new business, stimulating employers to hire the unemployed, subsidized employment, creating new jobs and boosting labor mobility.

Also, a number of solutions can be implemented to decrease youth unemployment for example:

- *investing in improving information resources for young people.* Based on a greater volume of information, both in terms of choice of educational / vocational programs and in terms of choice and completion, a better orientation on career development for young people can be achieved. One of the most simple and accessible ways that employers can use is the partnership with educational and vocational institutions in order to boost youth participation in the labor market;

- *investment to increase youth access to training programs to develop job specific skills.* Learning skills is traditionally attributable to educational and vocational institutions, and it is often different from the practical activities at work. In this regard, employers could advise and influence for a better education aligned to actual needs and opportunities of contemporary labor market;

- *creating and engaging training programs to stimulate the accumulation of experience.* Professional experience often supports the capability of a candidate to obtain a permanent job;

- *commitment to youth: support through training programs, providing jobs and mentoring.* Companies investing in training or mentoring for young people benefit from using the skills of the available candidates, a source of loyal personnel, with real potential for professional development. Workplace training and mentoring can be an important element in an effective strategy addressing talent scarcity and an innovative way to discover, develop and manage the resources of talent that companies need to achieve their business objectives;

- *investment aimed at reducing the deficit of entry-level jobs: investment in entrepreneurship education programs in academia and vocational centers.* An important strategy to stimulate growth in the number of jobs is increasing the number of employers. Promoting youth entrepreneurship may directly stimulate them, while positively influencing the generations they belong and the communities in which they operate.

EU level ‘Youth on the move’ initiative aims to provide support to unemployed young people. It promotes youth employment using all the resources provided by the European Social Fund, through innovative approaches, facilitating youth access to jobs in other EU countries, stronger partnerships between political authorities, businesses and trade unions at European, national, regional and local level, policy guidance and assistance from the European Commission.

Other measures have been adopted at the European Union level to increase the employability of young people in the labor market, among which may be mentioned:

- Youth Guarantees - EU countries will receive aid worth € 4 million to give young people a job or access to education, training or retraining, within four months of graduation;
- European quality framework for traineeships;
- first EURES job - preparatory action aims to help 5000 young people to find a job in another EU country (2012-2013);
- Erasmus and Leonardo da Vinci - 130,000 placements in enterprises were set in 2012 for young people in university courses or training programs;
- Erasmus for Entrepreneurs - 600 internships that allow young entrepreneurs to acquire experience in a small business in another EU country;
- European Voluntary Service - 10,000 volunteer opportunities proposed by the member countries.

To assess youth policies, meetings were held in the European Union and the European Youth Forum and National Youth Councils. Overall, the open coordination method is considered an appropriate tool for cooperation and priorities continue to be relevant. Several countries involve youth organizations in developing their policies. European Youth Pact draw attention to young people in the context of the 'Europe 2020' Strategy, especially in terms of education and employment and progress has been made in the fields of discrimination fighting and healthcare.

However, not always the provided framework has been effective and has shown the ability to produce the desired results. This is not coordinated enough to face all challenges. There is a consensus to adopt a strengthened cross-sectoral approach, as requested by the European Parliament in a 2008 statement on mobilizing young people's participation. The structured dialogue should be better organized and should help young people who do not belong to any organization, especially young people with fewer opportunities.

#### **4. SOME ADVANTAGES OF YOUNG LABOR FORCE FOR SUSTAINABLE DEVELOPMENT**

Overall objectives of the Sustainable Development Strategy of the European Union or its Member States can be achieved with the involvement of young people in actions with this purpose.

Today's youth are the hope and potential for the future. Young people need to be more mobile, multicultural and technologically skilled than before.

Among the advantages of using young workforce to achieve a sustainable society can be listed:

- youth employment in sustainable jobs ensure the consistency of economic development and the increase of local and domestic markets potential;
- promoting young people to attractive jobs (jobs created in IT technology and the theory of knowledge) leads to increased productivity and prospects of at least maintaining the competitiveness of the economic agent (market specific);
- through its achievements, youth labor market supports the growth of sustainable economy;
- an employment structure based on young labor at least stable if not growing and an education at a higher level than labor market average lead to sustainable economic growth;
- structural unemployment among young people, if based on a lack of employment in traditional, historical jobs, is the most serious problem of the current labor market; if the structural deficit of young labor by trades and professions is based on vacancy equivalent new professional specializations arising from the educational process to create sustainable

economic development, it is necessary to absorb foreign direct investment based on the introduction of higher generations of technology, comparative with existing ones in the business environment;

- youth unemployment is increasingly motivated by wages. Poor payment for jobs with perspective slows economic growth, eroding the foundations of sustainable growth;

- real unemployment of young labor force in Romania is higher than recorded because young people are more flexible and they adapt to work environment's 'requirements' on at least two directions:

- a) if they support the principle of employment adequate to the profession acquired in school, they will search through migration/mobility corresponding jobs in other markets (EU, extra-EU);

- b) while the internal mobility factor is excluded for various reasons, the correlation between the professional profile at graduation and that of the position held loses significance and employment is determined by earnings.

In both cases, at the national level, the potential for sustainable growth evolves negatively as it loses value added not corresponding to training;

- sustainable development not only attracts and exploits youth labor potential, it also needs experimental updating of youth because in today's society, especially in the future, the average knowledge obsolescence decreases at a rate greater than the capacity to adopt initial education.

## 5. CONCLUSIONS

Unemployment among young people is constantly increasing in most Member States, their major challenge being youth insertion in the labor market. In this context, youth employment policies are guaranteed the highest priority. To meet these challenges, countries have already issued a wide range of policies that target young people, especially those who are looking for work for the first time. To successfully fight youth unemployment, these measures need to be gradual and extended to countries that have not yet issued such policies.

Refocusing on youth measures and how to accelerate the implementation could contribute to a rapid reduction of youth unemployment. Most states have identified the people who give up education and training early as one of the main categories of unemployed young people and believes that this is a priority category in terms of improving employment among young people.

Learning at work is an essential element to facilitate the transition of young people from school to work and to create a skilled future workforce. In recent years, a broad consensus among public authorities, social partners and the business sector was reached about the fact that education and training should combine theory and practice.

However, more Member States efforts are needed at national and regional level to improve learning through a dual approach, tailored to the needs of the labor market. A strengthening of the involvement of enterprises and of the public sector is required to provide work and training opportunities for young people, for example in corporate social responsibility strategies. Strategic partnerships between different stakeholders involved can serve as examples.

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