

## Particularities of youth unemployment and the labour market in Romania

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**Abstract:** *Youth unemployment has become a priority for the European Union. The globalisation, the cyclical economic changes and the fast evolution of the labour market require new public policy and new approaches in order to stimulate integration of the young people into the labour market. This paper intends to highlight the effects and efficiency of the public policy that supports the labour market in the European Union and Romania. The conclusion is that Romania is adopting important measures for facilitating the employment of young people and decreasing unemployment, but the implemented measures and strategies have registered limited progress and more innovative solutions are needed.*

**Key-words:** *youth unemployment, social policy*

### 1. Introduction

Young people unemployment is more than ever a priority for the European Union, because more than 4.5 million persons aged between 18 and 24 years old are unemployed today in Europe. The problem of how to create effective measures for integrating the young people into the labour market is concerning all Europe and the cost of these measures still remain very high. The social policy at the European level and the social national policies are important in order to tackle the youth unemployment. The Council of Youth Ministers adopted the European Union Youth Strategy for 2010-2018. The strategy has two overall objectives: to provide more and equal opportunities for young people in education and in the labour market and to promote the active citizenship, social inclusion for all young people (Council Resolution, 2009). Although the youth's life conditions improved and are still improving, there are challenges they need to face. This article will explore the

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policies that support the integration of the youth into the labour market and the effects of these policies on the unemployment and the labour market in Romania.

## **2. Objectives**

This main objective of the research is to analyse and explore the effects and efficiency of the policies that support the integration of the youth into the labour market in the European Union and in Romania.

## **3. Methodology**

We have used statistical data from Eurostat and from the Romanian Statistical Institute in order to analyse the youth unemployment. We have explored the characteristics of the policies that support the integration of the youth into the labour market using the textual and contextual analyses. We have also used a comparative analysis in order to examine the labour market situation in Romania during 2004 – 2014, as well as some parallels with the European Union.

## **4. Policies supporting the integration of the youth into the labour market**

Through the EU Youth Strategy for 2010–2018, the European Commission recommends to the member states to support the young people's integration into the labour market, as well as the transition from education and training, unemployment or inactivity to the labour market (Council Resolution, 2009).

Europa 2020 Strategy wants to create the conditions for smart, sustainable and inclusive growth. One of the Strategy targets is that 75% of the 20-64 year-olds to be employed. Romania sets a 70% of the population aged 20-64 to be employed until 2020. Romania submitted its 2015 National Reform Programme and its 2015 Convergence Programme on 20 April 2015. After the submission of the programmes, the Council of the European Union recommends (Council Recommendation, 2015) Romania to take action in the 2015 – 2016 period for strengthening the provision of labour market measures, in particular for unregistered young people and long term unemployed and to ensure that the national employment agency is adequately staffed, to set a minimum wage transparency, to introduce the minimum insertion income.

In 2012, the European Commission proposed the Youth Employment Package to help the Member States tackling the unemployment and social exclusion, which includes Youth Guarantee, a Social Partner Consultation on Quality Framework for Traineeships and the European Alliance for Apprenticeships.

Through the Youth Guarantee, the member states need to ensure for all the youth under 25 years old that are unemployed or are leaving formal education no longer than 4 months, to receive a good-quality offer for employment, possibility to continued education, an apprenticeship or a traineeship (Council Recommendation, 2013). Romania developed a Youth Guarantee Implementation Plan in 2013. According to this plan, Romania created measures in order to support the labour market integration, measures that include 27 Youth Guarantee centres, the development of an integrated database of young NEETs, the introduction of the professional card and a new pilot community partnership model (Commission Staff Working Document, 2015).

Since 2013, Romania has been making efforts to decrease youth unemployment rate, and it succeeded, but unfortunately the employment of the young people remains a challenge (Commission Staff Working Document 2016). The measures proposed in the Implementation Plan of Youth Guarantee, and implemented to support mobility, skill certification or to support traineeship and apprenticeships did not have the expected impact and results. The report highlights the slow development that Romania has made in order to establish cooperation between the public employment service, social and health services, schools, universities, social partners and private stakeholders. One of Romania's most severe challenges is to register the youth that it is not in education, employed or training (NEETs) by the public employment service. In 2016, with the support of the European Union funds, Romania will register the NEETs youths.

Another approach to the unemployment is The Youth Employment Initiative, initiative that aims to support young people, especially NEETs, aged below 25 years old and living in regions where youth unemployment was higher than 25% in 2012. Romania is eligible with the Centre, South-Muntenia and South-East regions for the Youth Employment Initiatives with an allocation of 105.99 million euro (in current prices).

Youth on the Move represents a package of policy initiatives, part of the Europe 2020 strategy, in order to improve young people's education and employability, to reduce youth unemployment and to increase the youth self-employment rate. The Work, Family, Social Protection and Senior Persons Minister (Ministerul Muncii, Familiei, Protecției Sociale și Persoanelor Varstnice) promote the EURES Network and the job vacancy available in the European Union.

The European Union supports the entrepreneurship and self-employment focussing its effort to support the unemployment and people from vulnerable groups to open a business, to support the social entrepreneurship and microfinance.

During the 2014-2020 interval Romania intends to assure a sustainable level of employment marked by economic competitiveness, social cohesion and sustainable development (Romanian Government, 2013).

Starting from 2014, Romania aims at increasing the employment among young people (Romanian Government, 2013) by implementing a package of

measures. One of the measures is Youth Guarantee for monitoring the transition from school to active life. The Government wants to develop a monitoring system to supervise the transition from school to employment through cooperation between public institution and relevant stakeholders. Other measures are directly linked with the world of work: promote internship for the graduated students, stimulate the self-employment and the entrepreneurship for youth, as well as financial support for young farmers, to raise the work mobility in the European economic area through EURES National Network and to reform the EURES system, to create programmes and action to ensure the participation to education, training and in the labour market of the youth with special needs, promote the education and training system in order to support the young people that are still in education system to get familiar with the world of work, to stimulate the start-ups and innovative spin-off, as well as attracting more young researchers in Innovative Development Centres.

During the 2014-2020 period the government will use the apprenticeships as an instrument to ensure the development and certification of the professional competences practice at the job for the young people.

One of the most important aspects of the Plan is the correlation of the higher education curricula and the structural changes of the labour market until 2020.

## **5. Young people participation in the labour market of the European Union**

The unemployment can be considered a lagging indicator. This indicator has two dimensions – a social and an economic one. The unemployment, as well as other important indicators, respond to the changes of the macroeconomic conditions. The unemployment doesn't change simultaneously with the economic conditions. The unemployment rate only changes after the change in the general economic conditions. For example, when the economy suffers a downturn, the youth unemployment start to rise after a few months and the rising unemployment will not fall immediately, it take a few months until the process of hiring and creating new jobs start. The unemployment is considered an unused labour capacity and has a negative impact for the society wellbeing, characterised by low income for individuals, rising expenditure on social benefits and reduction in tax revenue.

The labour market participation is influenced by education and not all the people experience the transition from the education to the labour market at the same age, even for the same generations. Figure 1 below shows the proportion of young people in education and/or on the labour market at each year of age (data for EU-28, 2012) based on EU labour force survey data.

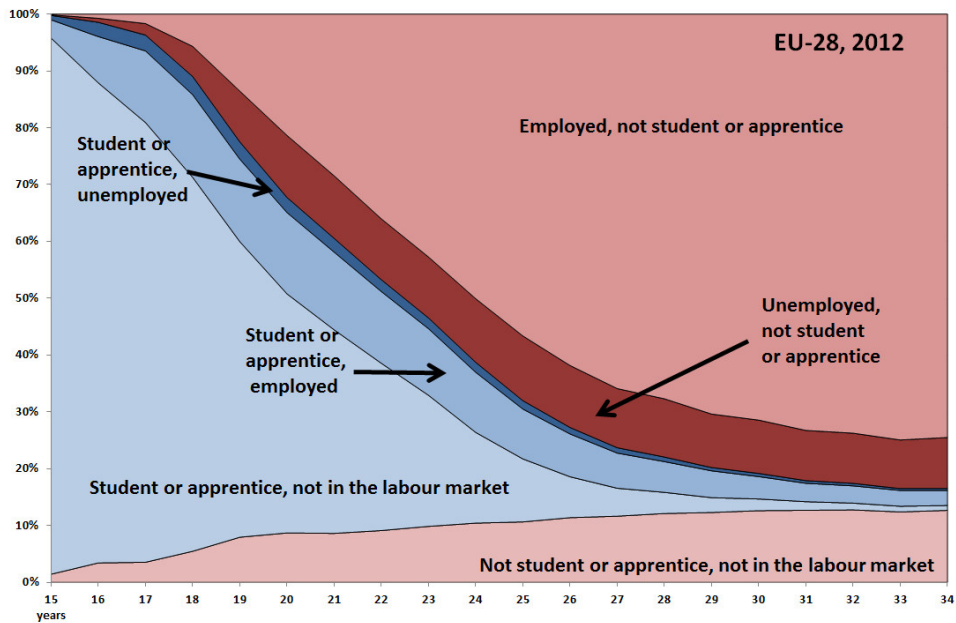


Figure 1. Structure of youth population by education and labour market status, EU-28, 2012  
(Figure source: Eurostat)

The number of people that are in education and at the same time are employed is much bigger than the number of people that are still in education, which means that the youth already are in the labour market before finishing their studies. The figure highlights that the most young people unemployed are not in education and that there are more young employed in education than young unemployed.

In general, the youth are more affected by the cyclical economic changes, and, as a response, policymakers create policies in order to facilitate the employment. Beside the cyclical economic changes, the globalisation, the fast changing labour market, the mismatch between the skills and the labour market demand, as well as the difficult transition from school to work decrease the opportunities and chances for young people to get employment. Figure 2 below shows the evolution of the youth unemployment rate (data for EU-28, 2000 - 2015) and the evolution of youth unemployment rate in Romania in the same period.

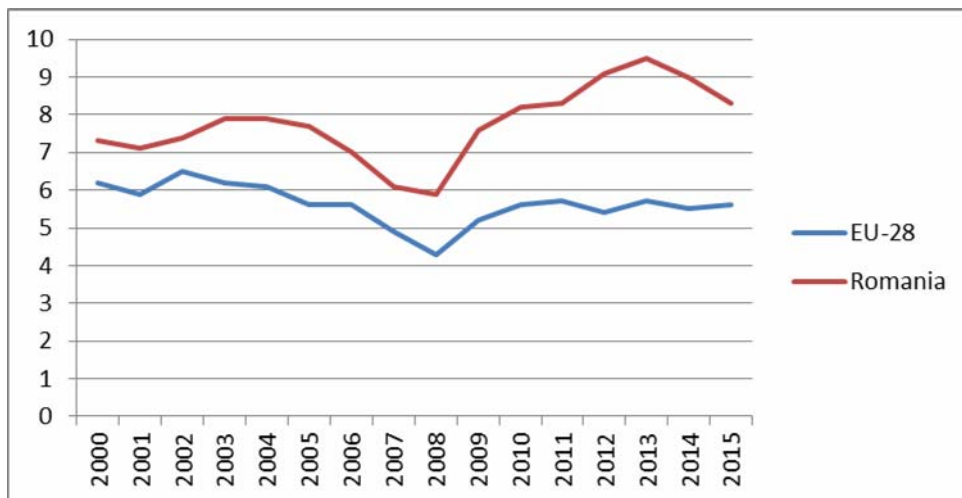


Figure 2. Unemployment rate population aged between 24 – 74 years old, annual average %

(Data source: Eurostat)

Figure 2 indicates that, for the analysed period, the unemployment rate in Romania was under the EU-28 average. The unemployment in Romania tends to follow the European Union average. In 2008, when the financial crisis started, the unemployment registered a lower rate of 4.3% in the EU-28 and 5.9% in Romania. Since 2009 until 2013 the unemployment rate increased, reaching 5.7% in the EU-28 and 9.5% in Romania. From 2014 the unemployment rate begins to fall, as a result of social policy adopted and because the economy starts to grow again.

## 5. Labour market development in Romania

The labour market shows signs of improvement, but still Romania finds difficult to integrate young people and other vulnerable groups into the labour market. Figure 3 shows the youth unemployment rate as compared with youth unemployment ratio during the 2004–2014 period.

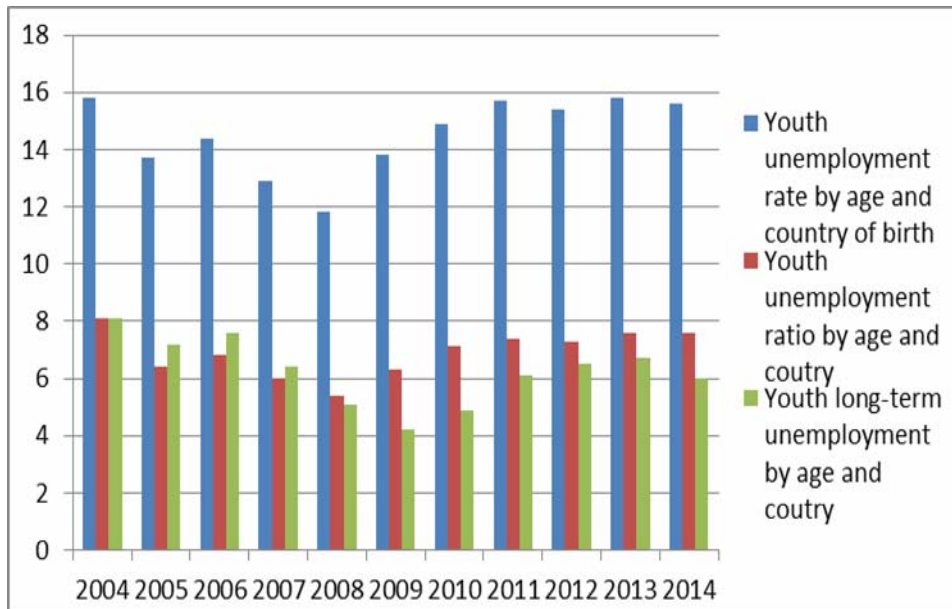


Figure 3. Youth unemployment rates and ratios (%) in Romania, population age 15-29 years old

(Data source: Eurostat)

The youth unemployment rate for the youth aged between 15 and 29 represents the number of those unemployed divided by the total number of employed plus unemployed people in the labour market. The youth unemployment ratio is always smaller than the youth unemployment rate because the youth unemployment ratio, in this case, has as denominator the population aged between 15 and 29 and contrary with the unemployment rate, the size of the youth labour market does not have effects on the youth unemployment ratio. The three indicators respond in the same way to the macroeconomic changes. Since 2009, the youth unemployment rate remains broadly stable at 15%; the youth unemployment ratio remains broadly stable at 7%; the long term youth unemployment rate raises from 4.2% in 2009 at 6.7% in 2013 and in 2014 the rate slightly decreased at 6%. In 2008 we can see a decrease of the youth unemployment rate as a response to the economic boom. In 2009 the global economic crisis affected the work because of the low productivity. The reduction of the workforce happens also because the unit cost of labour after 2004 increased. From 2010 the youth unemployment rate continues to grow because of the inflationary pressures, the high number of bankruptcies and the reduction of the number of the jobs in the public sector. This leads to fire employees from the public sector. In 2011 the youth unemployment rate began to fall, but this decreasing

is more an effect of the reduction of the level of the people participating into the labour market and not of creating new jobs.

All the three indicators slightly decreased from 2013 to 2014, and this tendency can be an effect of Youth Guarantee Programme.

The young people employment remains a challenge for Romania. Figure 3 shows the youth unemployment rate, together with the young temporary employees and part time employment rate as a percentage of total employment.

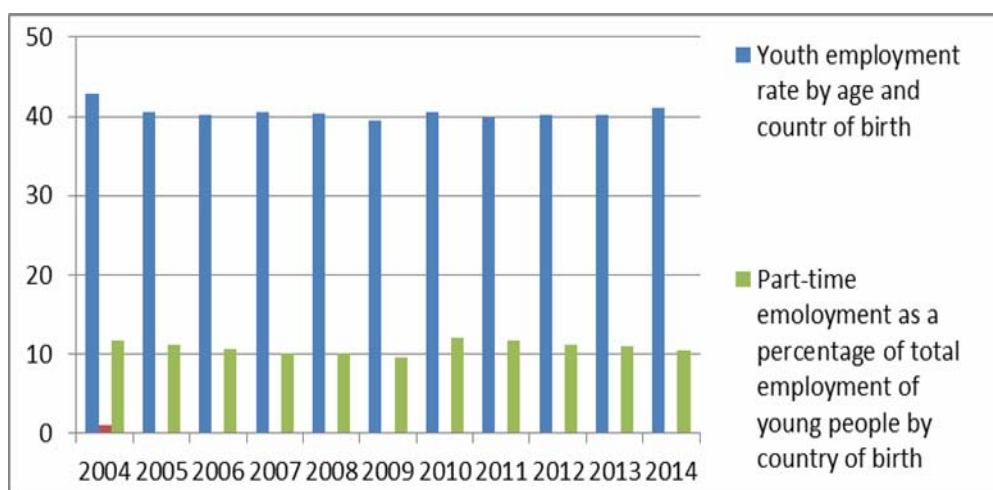


Figure 4. Youth unemployment (%) in Romania, population age 15-29 years old  
(Data source: Eurostat)

From 2004 until 2005 the youth employment rate decreased from 42.9% to 40.5%, and remains broadly stable - around 40% until 2013, recording a rate of 39.5% in 2009, 39.9% in 2011, and in 2014 the employment rate increases until 41%.

The part-time employment represented 11.8% from the total unemployment in 2004 and decreased until 2009 at 9.2%. It arrives at the maximum level in 2012, when the part-time employment represented 12% of the total employment, and then decreased, representing in 2015 10.5% of the total employment among young people. Working part time means a low income, and some of the young people are forced to work part time because they can't find a full-time job. Table 1 shows the part-time employment as a percentage of the total number of total employment for young people, alongside with involuntary part-time employment as a percentage of the total part-time employment for young people and also young temporary employees as a percentage of the total number of employees, for the youth aged between 15-29 years old.



Years	Part-time employment as a percentage of the total number of total employment for young people	Involuntary part-time employment as percentage of the total part-time employment for young people	Young temporary employees as percentage of the total number of employees
2004	11.8	72.8	4.6
2005	11.1	66.9	4.6 b
2006	10.7	65.7	3.4
2007	10.2	65.2	2.9
2008	10.2	69.4	2.4
2009	9.6	64.9	2.1
2010	12.0 b	69.3	2.5
2011	11.8	63.1	3.2
2012	11.2	68.6	3.2
2013	11	72	3.5
2014	10.2	72.7	3.8

Table. 1. Part-time employment and temporary employees (%) in Romania, population age 15-29 years old

(Data source: Eurostat)

Table 1 indicates that more than 60% of the youth aged between 15 and 29 years old that have a job part-time are working involuntary, mostly because the labour market doesn't provide full time jobs. From the total number of employees, young people working temporarily represented 4.6% in 2004 and 2005. This rate decreased until 2009, when the effects of the economic downturn began to be reflected in the employment rate. Since 2009 until 2014 this rate increased until 3.8%, as an effect of the financial crisis, the employers not willing to hire people on the undetermined period. This causes a negative impact on the youth because of job insecurity that affects the wellbeing. The increased percentage can be a result of the implementation of projects funded through the European Union funds, most of the people being hired with a temporary contract.

## 7. Conclusions

Romania is making a lot of efforts to raise the youth employment rate and to decrease the youth unemployment rate. The current labour market situation does not offer to the youth the possibility to work according to their skills and knowledge and they are often forced to work in involuntary part-time jobs, or to have temporary jobs.

The youth unemployment rate and the employment rate, during the period studied, have been influenced by the macroeconomic changes, and sometimes the social policy could not protect the youth and could not ensure the youth the insertion into the labour market.

The government has developed a National Implementation Plan in order to comply with the National Employment Strategy 2014-2020, in line with Europe 2020 Strategy, but the results in the youth unemployment are barely seen yet. This is because we confront a lagging indicator - we will see the results in a few years after the changes. Romania's actions and measures taken in order to tackle unemployment are under the umbrella of Youth Guarantee Programme, but still Romania is facing difficulties in delivering high quality results. The measures taken in the Youth Guarantee as centres aimed to identify NEETs and provide packages of personalised service did not had the expected impact. Romania could not register the NEETs youths, this topic remaining a challenge for the public employment services.

Romania needs to focus on a better integration into the labour market and strong policy for a growth perspective. Besides that, Romania needs to discover new approaches to unemployment, especially an innovative one in order obtain better results.

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