

TRENDS IN YOUTH EMPLOYMENT: ROMANIA CASE OF STUDY

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Abstract

Reducing poverty and creating employment are the twin challenges of Europe 2020 strategy. During the crisis period, relative poverty has been increased among 0-17 years of age group and in some Romanian development regions. The European Union is concerned in taking action on increasing youth employment, because: the youth unemployment rate is more than twice as high as the adult one; the chances for a young unemployed person of finding a job are low, when young people do work, their jobs tend to be less stable; early leavers from education and training are a high-risk group; resignation is an increasing concern; a significant percent of young people were neither in employment nor in education or training (NEETs); there are significant skills mismatches on Europe's labour market. This paper presents the dynamics of the Romanian youth employment in the development regions of Romania between 2008 and 2014.

Key words: *education, NEETs, poverty, Romanian development regions, youth employment*

JEL Classification: *J21, R10*

I. INTRODUCTION

The European Union (EU) is concerned in taking action on increasing youth employment, because: the youth unemployment rate is more than twice as high as the adult one (21.2 % against 9.8% in January 2015); the chances for a young unemployed person on finding a job are low (more than one in five young Europeans on the labour market cannot find a job; in Greece and Spain it is one in two), when young people do work, their jobs tend to be less stable and less paid; early leavers from education and training are a high-risk group; resignation is an increasing concern, 7.5 million of young people were neither in employment nor in education or training (NEETs) and there are significant skills mismatches on Europe's labour market.

The European Commission proposed a package of measures, for implementation in the Member States endorsed by them; that offers to youth, jobs, education and training. The Youth Guarantee consists in a good-quality offer for a job, apprenticeship, traineeship, or continued education for young people under 25 years; no later than 4 months after they are leaving formal education or become unemployed. The Youth Guarantee Recommendation was formally adopted by the EU's Council of Ministers on 22 April 2013.

The Europe 2020 Strategy targets a 75% of the 20-64 year-olds to be employed, in Romania only 70%.

It is a fact that during the recession the unemployment increased in almost all European Union countries, except Germany, where the unemployment rate decreased with about 3% (by gender, from 8.6 in 2007 to 5.6 in 2013, for male and 8.8 in 2007 to 5.0 in 2012, for female). In Romania the unemployment rate by gender increased from 7.2 to 7.9, for male and 5.4 to 6.6 for female. In 2013 the Romanian youth unemployment rate hit a high level of 23.7% close to the EU-28 average of 23.4%. (Eurostat)

Improving the Romanian youth insertion on the labour market through social program became a strategic planning from 2001 through the National Youth Action Plan – Romania. The crystallization of the latest strategic objectives targeting youth are found in the National Strategy for Youth Policy 2015-2020 on the following action fields: culture and non-formal education; health, sport and recreation, participation and volunteering, work and entrepreneurship. (See, Ministry of Youth and Sports, 2015)

The problem of child labor and protection of young people was a subject of concern for the International Labour Organization (ILO) since its creation in 1919. At the ILO conventions are adding the directives of the EU, a reference document in European social law being Council Directive 94/33/EC of 22 June 1994 on the protection of young people at work. The Directive applies to persons under 18 who have an employment contract or employment relationship defined as such by the rules of the Member States. It does not apply to casual or short-term workers regarding domestic services private domestic chores performed or considered not harmful or seriously dangerous in family businesses. (Rădulescu, 2012, p.177)

During the time the Romanian labour market legislation restricted the child labour (as Law from 24 December 1908 - which prohibited night work of children) or became more permissive (such as regarding the legal age of employment, which was with parent authorization for minor less than 18 years according to Law from 1929, and after, starting from 16 years old). (Drumea, 2008, p.178 and 187)

The youth employment is more sensitive to a lot of factors, such as: economic and social growth (see Banerji A. et al, 2014), labour costs (particularly minimum wage and payroll taxes), self-employment, job quality, benefits etc.

The majority of empirical studies confirm negative employment effects of minimum wage, especially for young and less-skilled workers. (Laporsek S., 2013, p.1289; Khamis M., 2008, p.5)

Regarding the self-employment there is little evidence that the self-employment sector serves either as a holding pattern for young workers or it is an entry occupation from school. (Maloney, 1999, p.293)

Since the start of the crisis, even if the reductions in youth employment are unrelated to variations in the strength of employment protection legislation across EU member states (Heyes and Lewis, 2014, p.592), the employment conditions of younger workers are still more fragile (temporary and part-time contracts) than the ones for other employment categories. (Banerji A. et al, 2014, p.5; Coenjaerts C. et al, 2009, p.120)

II. DEMOGRAPHIC EVOLUTION

Decreasing by about 10% in period 1990-2012, Romania’s population is in “the fifth stage of demographic transition”. This stage is characterized by the fact that death rate slightly exceeds the birth rate, and this causes population decline, probably the most dangerous one, because the small number of young people is the base for the future fertility. A further reduction of fertility can lead to rapid depopulation of the country without an increased flow of immigrants, but it is known that Romania is still an emigration country where the standard of living is significantly lower than in other European countries. (Bărbulescu R., 2012, p.80-81)

‘Demography and school attendance are the main long run determinants of young people’s labor supply. Demography declined all over Europe following the baby boom of the Sixties, leading to a major shrinkage of youth labor supply. School attendance – historically the main option to youth labor market participation - was on the rise at the same time, leading instead to the fall of participation rates.’(Contini, 2012, p. 253)

Demographical trends fell in Romania, too, and during the crisis the number of students in universities dropped in a similar way. ‘Only one half of the high school students manage to graduate with a diploma. The result: they are no longer staying in school (the easy way to deal with the difficulties of labour market integration) but also they are not employed.’(Marginean, 2014, p. 619)

During 2008-2014 we noticed a diminishment of youth population on every development regions that supports the general picture presented above also at the regional level, too. (Figure 1)

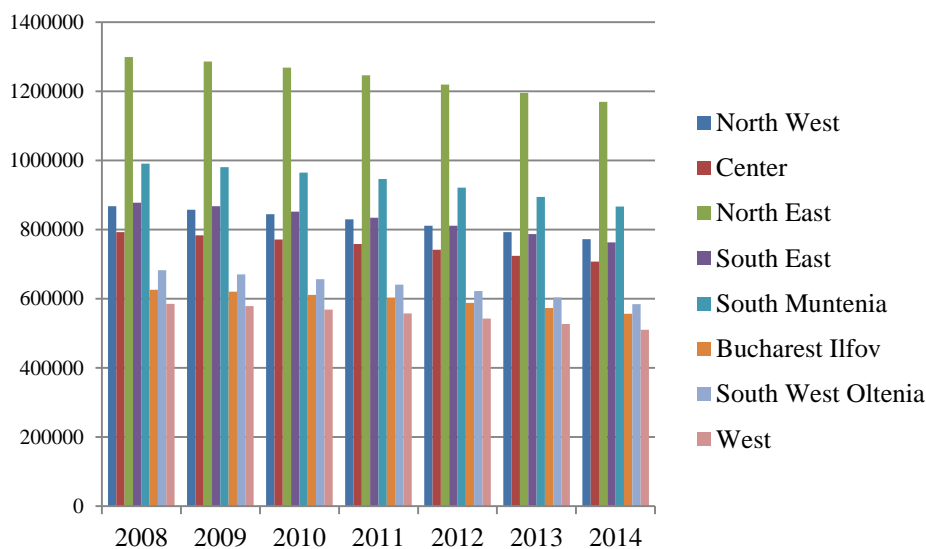


Figure 1 –Regional population evolution aged 0-24 years

Source: TEMPO Database, NIS, Bucharest 2015.

At national level population decreased with 2.69 p.p. during 2008-2014, due to the male urban population which is the most affected (it decreased with 3.05 p.p.). The youngest population is in North East Region, it represents about 30% for total region population in 2014 and its lowest share is in Bucharest Ilfov Region (24% from total).

III. REGIONAL YOUTH EMPLOYMENT

The employment rate at national level was about 59.5% in 2013 among the population at working age, during 2008-2013 the highest level was 64.7% in Bucharest Ilfov Region, in 2011 and in the same year the lowest level is registered in Center Region 52.3%. The 70% level targeted for Romania by Europe 2020 Strategy in the age group 20-64, is reached only for the age group 25-54 years old (74,7% in 2013) except Center and South East Regions (68.5 and 68.3 in 2013).

In 2013, the youth employment rate at national level is about 24%, ranging from 17.9% in Center Region to 30.6 in North East Region. If in 2008 the West Region registered the lowest rate of 21.9% and South Muntenia the highest youth employment rate of 29.9% (based mainly on male employment), in 2013 at the top is North East Region which increased with about 4 p.p. in the period 2008-2013. Only 2 regions from the North of Romania recorded growth in youth employment rate, while in other regions the employment rates decreased. (Figure 2)

The youth employment rates by rural/urban areas are higher in rural areas, the highest value registered in the analyzed period being of 42.6% in North East Region in 2011, while in Center Region was registered the lowest rate 20.2%. In urban rates are significantly lower, ranging between 24.8% the highest level in South – Muntenia in 2009, and only 11.6% in South East Oltenia Region, for 2 years, in 2010 and 2011.

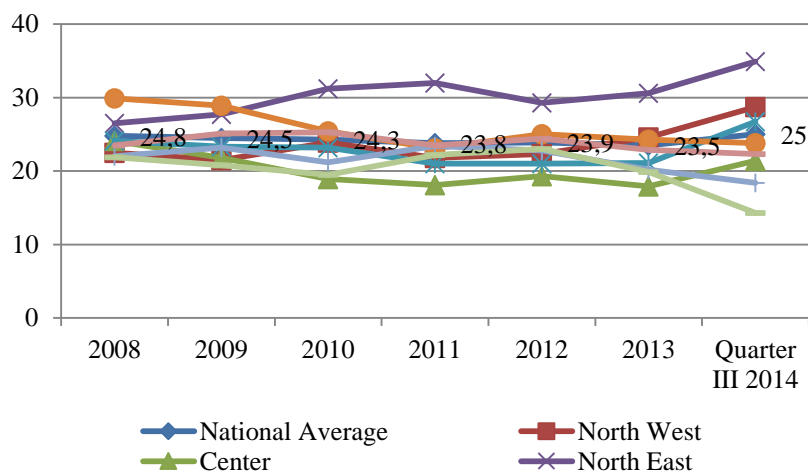


Figure 2 - Regional youth employment evolution, period 2008-QIII 2014

Source: TEMPO Database, NIS, Bucharest 2015.

‘Young Romanian individuals face a rigid labour market without any available flexible employment forms that would allow the continuation of their studies in parallel to employment.’ (Bălan, 2014a, p.31)

Even if the Romanian law has some stipulation such as regarding ‘vocational training leave’ according to art.154-158 Romanian Labour Code, the most employers do not have a vision of promoting employees in their businesses, to build a career for them inside the firm and this practice is even harder to be applied in the small enterprises. We mention the fact that about 60% of the employees are from SME’s.

Table 1. Status in employment age group 15-24 years

Status in employment	Period		
	2008	2013	QIII 2014
Total	776112	604675	562716
Employee	484224	327451	297139
Employer	2491	1439	326
Self-employed	86913	59485	58124
Contributing family worker	202485	216300	207127

Source: TEMPO Database, NIS, Bucharest 2015.

Regarding the status in employment of youth we observe a precarious employment, in the analyzed period, increasing the share of contributing family workers (who are more than 96% located in rural area) on the expense of other categories of employment accompanied by a decrease in total employment. (Table 1)

We mention the fact that Romania has the largest percentage of population living in rural areas in the EU and in several studies is pointed out the fact that education, health and the quality of public services are at lower level than in urban Romanian areas. (See Mateoc-Sîrb et al, 2000; Chipea, Oşvat and Marc, 2013, Kerekes and Pakucs, 2013; EAPN, 2014 and others)

Young people are more exposed to the negative effects of unemployment, as youth unemployment is chronic, extended for more than 1 year: 43.3% of unemployed between 15 and 24 years were long-term unemployed in 2012. (EAPN, 2014, p.18)

IV. YOUTH AND POVERTY

More than a quarter of young people are in relative poverty (28.1% in 2011), and more than a third of young people are at risk of poverty or social exclusion (40.3% in 2011, versus 24.3% in the EU-28). (EAPN, 2014, p.6)

The relative poverty rate has fluctuated between 2008 and 2013, about 22% the average at national level, which is higher than EU average of 16.6%. At regional level there are significant disparities, so, the North East Region has reached the first position in 2013 with 33.5% followed by South East Region (32%) and South Muntenia Region (30.1%), the last one recovering the gap from 36.9% level registered in 2008. (Table 2)

Bucharest-Ilfov Region is out of the picture with only 3.9% near the level of 3.8% (in 2011) of Malaysia and Tunisia the second best placed countries from 157. (CIA World Factbook)

From this point of view the youth from eastern part of Romania are predictable to increase NEETs population.

Based on an estimation made by the European Foundation for the Improvement of Living and Working Conditions in 2011, the cost of the NEET population was for 153 billion Euros. ‘It represents the cost to the economy of not being able to re-engage young people into the labour market.’ (Bălan, 2014b, p.71)

Table 2. Relative poverty rate, by region

Region/ Year	2008	2009	2010	2011	2012	2013
National Average	23.4	22.4	21.1	22.2	22.6	22.4
North West	18.9	18.7	14.6	20	15.9	15.9
Center	19.9	19.4	19.4	18	18.6	15.9
North East	32.4	31.5	29.5	32.4	33.7	33.5
South East	28.2	22.5	26.3	28	29.7	32
South Muntenia	22.3	23	22.2	21.6	22.1	22.4
Bucharest Ilfov	6.5	6.4	3.1	3.4	2.7	3.9
South West Oltenia	36.9	37.4	30.7	28.9	29.9	30.1
West	15.9	15.4	17.6	18.8	20.5	22.9

Source: TEMPO Database, NIS, Bucharest 2015.

According to Eurostat database NEET rate (age group 15-24) was 17.1% in 2014 (EU28) decreasing from 18.6% the value registered in 2012 and 2013. In Romania this indicator was 17% in 2013 and 2014 and slowly higher than 16.8% registered in 2012.

In 2008, at the beginning of the economic crisis, 23.1% of young workers in Romania were poor. In 2011, the number went up to 30.7% for workers aged 18-24, the highest in the EU. (EAPN, 2014, p.19)

In 2013 the relative poverty rate, by type of household, had risen for the families with more than 2 children at 60.6% from 57.3 in 2008 and in the analyzed period it fluctuated for all types of households. In households with dependent children the poverty rate is twice higher than in the ones without children. (Table 3)

In particular, young people have difficulties regarding their participation on the labour market, such as: massive employment in the informal sector, lack of decent paid job opportunities, high self-employment in subsistence activities, job insecurity and in-work poverty, poor access to forms of continuous training, and mismatches between school and labour market needs. (EAPN, 2014, p.20)

Table 3. Relative poverty rate, by type of household

	(%)					
Household type	2008	2009	2010	2011	2012	2013
Households without dependent children	18.4	16.5	14.3	14.1	14.3	15.4
Households with dependent children	26.3	26.2	25.3	27.4	29.2	27.2
Single parents with at least one child (single parent family)	39.9	35.3	31.9	40	39.8	31.3
2 adults with 1 child	14.1	14.9	16.4	18.2	18.7	15.2
2 adults with 2 children	24	24.3	26.7	26.7	27.2	22.8
2 adults with 3 children and more	57.3	56.3	60.4	54.7	59.8	60.6
3 or more adults with children	25.7	25.2	22.4	27.1	29.2	28.2

Source: TEMPO Database, NIS, Bucharest 2015.

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Regarding the several material deprivation rates, by region, at the top is situated South East Region with 38.8% in 2013 followed by North East and South Muntenia regions. (Table 4)

Table 4. Sever material deprivation rate, by region

	(%)					
Indicator	2008	2009	2010	2011	2012	2013
National Average	32.9	32.2	31	29.4	29.9	28.5
North West	24.6	23.3	21.4	23.9	21.7	21.7
Center	26.2	20.5	19.4	17.4	21.5	23.6
North East	39.7	42	39.1	38.1	36.8	32.4
South East	36	30.8	40	37	36.4	38.8
South Muntenia	36.6	38.1	33	33.4	33.7	29.1
Bucharest Ilfov	33.3	38.1	32	26.1	29	27.9
South West Oltenia	38.3	37.6	31.8	30.2	30.5	25.9
West	21.8	19.3	23.4	19.7	23	26.5

Source: TEMPO Database, NIS, Bucharest 2015.

V. CONCLUSION

Even if the Romania is not the most damaged one from the youth unemployment point of view, it is experiencing real problems in terms of: informal labour market, higher levels of poverty rates that affect not only the living standards but the chance of a better life in terms of education and health for future working generations.

We notice an increase in regional disparities regarding the living standards and this imposes targeted measures adapted to each specific region.

The high level of poverty among children and young people set them in studies concerning abandon (the abandon rate for primary and secondary school in 2012 was between 0.9 and 2%) and forced them to work to support family expenses.

According to a study done in 2012 by the National Alliance of Student Organizations in Romania (NASOR) on 24 public universities from Romania about 25% students have a job full or part time, the percent is an average and the results are oscillating depending on study program. (NASOR, 2012, p.12)

In the private universities the number of enrolled students, who are also employed at the same time represents more than 50% of the total.

One of the main conclusions of the study mentioned above is that ‘NASOR afraid that very few high school graduates from families that cannot support them enough in terms of financial, fail to follow their studies. The situation is even more valid for those outside the university centers or for those who want to pursue studies in another university.’

In our opinion, it is important that a package of measures customized by regions should be implemented; these measures must be focused on: equity and fair chances in education and a better ‘flexible working package’ for the youth, not only one supporting their remuneration.

VI. ACKNOWLEDGMENT

This paper was made under Project: STUDENT INVOLVED - GRADUATE TRAINED – A SUCCESSFUL CAREER! supported by the Sectoral Operational Programme Human Resources Development (SOP HRD), financed from the European Social Fund and by the Spiru Haret University under POSDRU/161/2.1/G/137940 contract number.

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