

LANDMARKS OF YOUTH LABOR MARKET DEVELOPMENTS IN THE KNOWLEDGE-BASED SOCIETY

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Abstract

In recent decades, a continuous process of transition of the world economy from the development based on traditional factors to the one based on knowledge occurred. Development of the knowledge economy leads to changes in the labour market demand: new skills and abilities are required. With the introduction of new technologies the demand for highly skilled workers increased, especially highly skilled in information and communication technologies (ICT), while the demand for low-skilled workers decreased.

Although the young people have knowledge regarding new media tools and virtual environments, indispensable tools to the labour market in a knowledge-based economy, their unemployment rate is still double than the adult unemployment rate in some EU countries.

This paper presents a brief analysis of the problems faced by young people in the labour market, of the measures adopted in various countries in order to increase the role of education and training, both basic and continuing so as to increase the labour market insertion of young people in Romania and the EU-28 countries.

Keywords: knowledge-based economy, youth unemployment, new skills, education and training

JEL Classification: J13, J21, J42, O31

1. Introduction

In the framework of an increasingly higher level of unemployment, the youths find it more difficult to find a job, and many of them could decide to extend their studies or to take up studying again. These could be an investment for the future provided that they obtain matching competences.

Nevertheless, the reality is that many youths do not take part either to labour or to studies.

The unemployment rate among youths (over 20%) is twice as high than for the entire active population and almost three times higher than the rate for the adult active population. The permanent job diminishment during the crisis affected disproportionately the youths, as they are overrepresented in the category of temporary contracts. Even though temporary contracts could represent a first step towards more stable forms of employment, this fact might create segmented labour markets, the youths being put on hold in the inferior segments of the latter, benefitting of less training on the job, lower remuneration levels and worse perspectives with respect to employment and long-term career.

The development of the knowledge-based economy leads also to changes with respect to the labour force market demands: new competences and skills are requested. As result, in order to maintain Europe's competitive position the reforms of the educational and vocational training systems are essential. The future jobs require individuals with high-skill level.

In a knowledge-based economy, the ability to permanently innovate is the key to success in business. The international statistics indicate the fact that amongst the top innovative companies at global level are Apple, Facebook and Google, companies with excellent financial results. But all these companies have a very high number of young employees, the average age of the employees being of 33 years for Apple; 26 years for Facebook, and for Google the employees have an average age of 31 years.

The youths have knowledge about the new media instruments and the virtual working environments, which are indispensable tools of the future labour market. The online video technology, blogs, podcasts and software allowing for interaction are all instruments that support productivity, when they are used efficiently.

If the economic and political developments of the decade 2011-2020 are taken into account, especially from the viewpoint of the Europe 2020 Strategy, then at national and EU level, the Statement from Copenhagen from the year 2002 should benefit of a new incentive because the Copenhagen Process is an integral part from the strategic framework "Education and Training 2020".

The elements of the economic impact of the knowledge-based economy on the youth labour market are presented in the following paper.

2. The economic impact of the knowledge-based economy on the youths' labour market

The knowledge-based society represents a new stage in the human civilisation, a new and qualitatively superior living standard that involves the intensive use of information in all spheres of human activity and existence and with a major impact from the economic and social viewpoint.

Already in 1996, in his book "The Effective Executive", Peter Drucker presented the differences between the manual worker and the so-called "knowledge worker" who works mainly with his mind, not his hands, thereby generating ideas, information, and knowledge. Still, the concept of "*knowledge-based economy*" was popularised by Peter Drucker as early as 1969 in his book "The Age of Discontinuity".

The development of the knowledge-based economy leads also to changes in the demands on labour market: new competences and skills are requested. With the implementation of new technologies, the demand for high-skilled workers increased, especially for those with high-skills in the information and communication technology (ITC) and the demand for low-skilled workers decreased.

Under the conditions of changing the preferences of the consumers and of the technologies for adjusting and maintaining their competitiveness, the companies require corresponding organisational structures for skilled labour force and a management apt to meet these new challenges. These changes have a significant impact on the jobs' structure and on the required skills, which leads to increasing the educational levels.

Training workers in order to be competitive in the knowledge-based economy requires a new model of education and vocational training, a model for lifelong learning. The speed of changes in the knowledge-based economy has as effect also the much swifter depreciation of skills. In order to meet efficiently these changes, workers must be able to update permanently their competences. In this context, the companies cannot rely exclusively on new graduates or on the new entries in the labour market as main source for new skills and knowledge. Therefore, it is necessary for schools and other training institutions to prepare workers for continuing learning. Lifelong learning is essential for allowing employees to be competitive in a global economy.

Investments in human capital are essential for the economic increase. Also, between the quality of education and hence of the labour force and the economic growth is a close link (Barro 2001, Hanushek and Kimko 2000).

The impact of education on economic growth varies from country to country, depending on the measures and policies adopted under the concrete conditions from each country. In developing countries, decision-factors must make sure that youths gain a language that is more developed than the

local one, best option being the language used at international level. The statistics realised at international level indicate that in the knowledge economy, mathematical and scientific competences are important and have a positive effect on the economic growth, and that the correlation between them and economic growth is stronger than the correlation between economic growth and the conclusion of upper-secondary education, or higher education.

As result, the participation of individuals to the knowledge-based economy presupposes the continuing updating of skills, and lifelong learning shall turn, thus, into a permanent concern.

Jean Charest, the prime-minister of Quebec alleged that “The world enters into a new era characterised by a major deficit of talents and the failure of solving it shall determine the reduction of economic growth at global level and shall definitively change the way in which we approach the challenges in the labour market”.¹

The end of the 20th century and the beginning of the 21st has highlighted the need of adopting new measures/reforms with respect to training youths for a labour market in the knowledge-based economy.

Many employers are sceptical about employing youths in the labour market with respect to their ability to use the knowledge gained in school for meeting the practical challenges generated by the job. Also, they are mistrustful about the social aptitudes and professional ethics of the youths, aptitudes that the personnel needs in order to develop efficiently the activity. Thus, employers maintain a reserved position regarding the investment in training youths, as long as on the labour market adult employees are available.

Nowadays, employers show a high level of concern with respect to the deficit of specific competences of the candidates, even though only one out of five employers develops training and development programmes for the employees to cover the existing deficit. Moreover, only 6% from the employers collaborate with educational institutions for suggesting the development of educational programmes that would support covering the skilled personnel deficit on the labour market

Another concerning factor on behalf of the employers and at the same time a hindrance on the way of employing youths in the labour market is the lack of opportunities and competences required in the labour market which often are not matched by those achieved in the educational system.

In their work from the year 2008: „*Skills for success in the knowledge economy*” Cochran and Lekies have synthesised from the specialised

¹ *Young Generation, the Success of the Economy of the Future*, ManpowerGrup, pp 2.

literature the required competences for youths so as to have success on the labour market of the 21st century, that is:

➤ *Thinking abilities*: critical thinking, problem resolution, creativity and innovativeness

➤ *Communication*: the ability to communicate efficiently, by using various methods and instruments available in today's environment;

➤ *Teamwork and leadership*: interpersonal skills for working efficiently in a team and of leading by cooperating, motivating and putting to good use the strengths of the collaborators;

➤ *Continuing learning and self-management*: continuing improvement of the capacities by assuming responsibilities in setting-up objectives, improving presentation skills of the initiatives;

➤ *Adopting technology and applications*: a strong technological skills background, including concepts and operations, selecting adequate instruments, as well as problem-solving by using the adequate technology;

➤ *Professionalism and ethics*: to prove personal responsibility and efficient working skills: punctuality, productive working with others and at time, as well as managing efficiently the work volume.

International statistics show that youths start working by the age of 12 years of age in informal jobs (such as care services for small children or jobs within the household). The employment probability with the formal sector increases with the age.

The specialised literature suggests that the experiences of youths on labour market can be both negative and positive. The most frequent arguments against the employment of teenaged labour force refer to diminished school performance, to educational, social and psychological negative outcomes. On the other hand, some researchers consider that work provides for development opportunities of teenagers, respectively teenagers can better understand the functioning mechanisms of the labour market (Hamilton & Hamilton, 2004; Levine & Hoffer, 2006). Also, they contribute to developing the social capital: informal networks are created and interactions with adult models encouraging good working habits occur (Whalen et al., 2003). Sometimes, the competences gained on the job can bring about another benefit that is increasing the interest in/for school.

In order for the labour market experience of the teenager to be the background for the future success on the job, the employers should highlight the factors contributing to the positive working experience and to minimise those that create negative conditions.

These desiderates can be achieved also by means of the youths' programmes.

The programmes for youths can be an important resource in training youths for the labour market. By their nature, the youth programmes can

contribute to the availability of labour force, irrespective if they provide, or not, for specific opportunities targeted towards training the labour force. By such programmes, the youths develop valuable skills such as teamwork and problem solving, developing social competences, but also linking to adult models.

As opposed to school, the youth programmes are characterised by voluntary participation, so that youths are faced with different levels of motivation and of interest. The high levels of motivation and of interest ensure that the youths are involved in achieving the objectives of the programmes, assume their ownership and remain connected around these programmes enough time for gaining the benefits that the participation provides for them. This ensures for the programmes dedicated to youths an ideal position in training labour force in accordance with the development needs of the teenagers. They have very often autonomy and flexibility for creating a curriculum that is adjusted to the community. All these characteristics make them very suitable to play a role in training the young labour force.

The current models of programmes have at the basis the concept of prosperity, and of promoting the positive development for all youths. The programmes for achieving the objective of a quality youth are characterised by the positive interaction adult-youths.

The poor insertion of the youths on the labour market is determined by many factors, among which:

- ❖ the lack of information, of access to social networks and the absence of links between youths;
- ❖ the lack of relevant job competences;
- ❖ the lack of jobs requiring entry level competences;
- ❖ the lack of experience and recommendations that would increase the confidence of the companies in the youths with employment potential.

In this context, the participation rate of the youths to the labour force continues to have a descending trajectory: after a decline from 53.8% to 50.1% between 1998 and 2008, the diminishment continued reaching 42% in 2014.

The unemployment among youths was intensified also in the year 2014 in the developed states. By the end of 2014, in Greece the majority of youths (56.0%) did not have a job, and the percentages were almost as high in Spain (53.1%). The unemployment rate among youths in Portugal reached 38.6%, and in Romania 23% (Eurostat).

The consequences of the unemployment among youths affect directly the fluctuation level of the temporary personnel on the labour market. Gaining experience is reflected both at individual level, but also in the development degree of the labour market at national level.

At the level of the European Commission, it is considered that the youths are the most threatened category on the European labour force market, and the risk of their marginalisation is increasingly higher. This fact has immediate consequences, but also implications on medium- and long-term. The deepening of the crisis on the labour force market can leave its fingerprint on a large part of an entire generation of youths, affecting the employment of the labour force, the productivity and social cohesion, both for the present and the future.

In the year 2020, the pupils and students of today shall be at the beginning of their career, having at least 30 years of professional life before them, some of them in professions that today don't exist, and others in professions that are, perhaps, on the extinction path.

Consequently, the improvement of the educational and vocational training capacity (EVT) turned into a necessity for meeting in this way the changing requirements of the labour force market. But, for integrating the needs of the changing labour market in supplying EVT on long-term, it is necessary also a better understanding of the emerging sectors and competences and of the changes that will affect current occupations.

An important role in increasing the awareness degree with respect to the significance of EVT both at national and European level was played by the Copenhagen Process¹.

The impact of the Copenhagen Process on the national policies with respect to EVT was swift and strong, and it generated in-depth reforms, among which could be mentioned:

- i) the development of the national qualification frameworks in view of applying the European Qualifications Framework (EQF);
- ii) the shift to an approach based on the outcomes of learning: by changing the perspective from a learning process centred on supplying information to a learning process oriented on outcomes.

The relevance of education and vocational training (both education and initial vocational training (EVT-I) and continuing education (CVET) for the labour force market and the capacity of professional insertion of the EVT graduates should be increased by various measures such as shown in the "Bruges Communiqué regarding the intensification of the European cooperation in the field of education and vocational training for the period 2011-2020"²:

¹ The Statement of Copenhagen from 29-30 November 2002 launched the European strategy for increasing cooperation in the field of education and vocational training (EVT) called, in general, the "Process from Copenhagen".

² *Support for education and vocational training in Europe: COMMUNIQUE FROM BRUGES*, The Communiqué of the European Ministers responsible in the field of education and vocational training, of the European social partners and of the European

➤ “the authorities from the participating countries – at national, regional, or local level – should provide for opportunities for increased cooperation between schools and enterprises in view of improving knowledge of the teaching staff with respect to working practices, on one hand, and the general competences and skills of the trainers on the other hand;

➤ The participating countries should promote partnerships between social partners, enterprises, education and training providers, labour force employment agencies, public authorities, research organisations and other relevant stakeholders for ensuring more adequate transfer of information about the needs on the labour market and better compatibility between these needs and the development of knowledge, skills and competences. The employers and social partners should make efforts in order to define with clarity the competences and skills needed on short-term, and on long-term inside the sectors and in their entirety as well;

➤ The EVT curricula should be oriented on outcomes and provide for more adequate answer to the needs on the labour market. The cooperation models with the enterprises and professional organisations should approach this aspect and supply institutions in the field of EVT feedback with respect to the professional insertion capacity rates and also with respect to the labour force employment rates among EVT graduates;

➤ for improving the quality and relevance of EVT, the participating countries and, especially, EVT suppliers should put to good use the feedback received from the professional guidance services with respect to the transition of EVT graduates to the professional life or to subsequent learning;

➤ on the job learning developed in partnership with enterprises and with non-profit organisations should become a characteristic of all initial EVT courses;

➤ the participating countries should support the development of apprenticeship-type training and encourage the increase in the awareness degree with respect to this aspect”.

In a knowledge society, a particular emphasis should be laid both within EVT-I and within CVET on promoting innovation, creativity and entrepreneurial spirit, as well as on using ITC.

An important role in developing the knowledge-based economy and, implicitly, for increasing the insertion degree of youths on labour market within it, play the transversal objectives of education and vocational training.

Commission as result of the Summit from Bruges in 7 December 2010 regarding the review of the strategic approach and of the priorities of the Copenhagen process for the period 2011-2020. Luxemburg: the Office for Publications of the European Union, 2010.

The insertion of youths on labour market within a knowledge-based economy can be efficiently achieved if a series of measures are adopted, from which we mention:

➤ *identifying optimum solutions for the issue of youths on labour market.* In this respect, each generation has the responsibility to guide the training of the next generation with the purpose of harmonious economic development. Attaining these objectives can be achieved by concluding partnerships with governments, educational institutions, civil society and even with the youths searching for a job;

➤ *investment in improving the information resources for youths;*

➤ *realising investments intended to increase the access of youths to training programmes* for developing job specific competences. An important role in this direction play educational and vocational institutions, but also employers (having the role to provide counselling and influence for better educational training, that is aligned to the real needs and opportunities on the contemporary labour market);

➤ *creating and implementing training programmes* that would stimulate gaining experience;

➤ *commitment to youths:* sustaining by training programmes the provision of jobs and mentoring. The training on the job and mentoring can represent an important element within an efficient strategy for meeting the talent deficit and an innovative way of discovering, developing and managing the talent resources that the companies require in order to meet their own business objectives;

➤ *realising investments dedicated to diminishing the jobs deficit at entry-level;*

➤ *realising investments in educational entrepreneurship programmes in the university environment and in vocational centres.* Promoting entrepreneurship is an indispensable component for ensuring the sustainable economic development. Promoting entrepreneurship among youths can stimulate them directly, at the same time influencing positively the generations to which they belong and the communities where they develop their activity.

Conclusions

Attaining the general objectives of the Sustainable Development Strategy of the European Union or of the Member-States and of training youths with the necessary competences of the knowledge-society can be reached by involving also youths in the actions that will be undertaken for this purpose.

The youths of today means hope and potential for the future. The youths must be more mobile, more multicultural and more technologically savvy than before.

Among the advantages of using young labour force in attaining the knowledge-based society can be enumerated:

- the employment of youths in sustainable jobs ensures the coherence of economic development and the increase of the local and internal markets' potential;
- promoting youths in attractive jobs (new jobs created based on IT-technologies and knowledge-theory) leads to increasing productivity and perspectives for at least maintaining the competitiveness at the level of economic agents (on the specific market);
- youths' labour market based on its performances supports sustainable economic growth;
- the employment structure, based on a young labour force component, at least stable if not on increase and on a training level superior to the average at the level of the labour market leads to the increase of sustainable economy;
- structural unemployment among youths is based on an employment deficit in classic, historical jobs and represents the most severe issue of the current labour market; if the structural deficit of the young labour force on trades and professions is based on unemployment equivalent to the new professional specialisations generated by the educational process, in order to create the sustainability of the economic development is necessary to absorb foreign direct investments based on introducing superior technology generations, comparative to the ones already existing at the level of the business environment;
- unemployment among youths is the result of an increasingly superior component of wage motivation. Failure to remunerate accordingly jobs with future perspectives slows down the process of economic development, thus eroding the basis of sustainable growth.

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