

## **YOUTH LABOUR MARKET EVOLUTIONS AT REGIONAL LEVEL IN ROMANIA**

**Ph.D. Mariana BALAN**

„Athenaeum” University, Bucharest

Institute for Economic Forecasting-NIER, Romanian Academy

dr.mariana.balan@gmail.com

### **Abstract**

*The current economic crisis generated several challenges that the youth have to face on the labour market.*

*The 5.8 million youths, aged between 15 and 34 years of age from Romania, represent a huge resource for the society. Romania, like most of the Member-States faces increasing challenges in the absorption and integration of youths within the education systems and on the labour force market.*

*Unemployment among youths is very high, increasing to 24.3% in QIV 2013 much above the total unemployment rate recorded at national level of 7.2%. The analyses performed by various bodies in the field highlight that the number of young unemployed is not decreasing until 2016.*

*The present paper presents a brief characterisation of the labour force market among youths in the development regions in Romania. An analysis is made about the evolution of the unemployment rate, of the employment rate for youths aged between 15 and 24 years of age, the structure, educational level and on genders of the NEET groups under the impact of the economic-financial crisis, but also factors hindering and delaying the entry of the youths on the labour market.*

**Keywords:** youths labour market, youths' unemployment rate, youth employment rate, population, NEET

**JEL Classification:** E24, J6, J21, J23

### **Introduction**

With a labour force employment rate of 59.5% in the year 2012, and severe issues on the labour market during the last years, Romania is still far from reaching the “EU2020” objective established by the National Reform Programme which mentions a labour force employment rate of 70% up to 2020. In the context of increasing discrepancies against the EU average and given the current trends regarding labour force employment, it is less probable that the national objective for 2020 shall be reached if the economic performance and the national policies do not improve considerably.

In Romania live more than 6 million youths with ages between 15 and 34 years of age. The data provided by the National Institute of Statistics highlight a continuous decrease as weight in population from 32.1% in the year 2003 to 28.6% in the year 2013 for the youths aged between 15 and 34 years of age<sup>1</sup>, as outcome of the mix of several factors; increased life expectancy, decrease of the births' rate, and emigration, the last phenomenon involving youths to a much higher share than other age groups<sup>2</sup>.

Even though the weight of young population in Romania is over the EU-27 average, from 25.1% at the level of the year 2012, the decrease of the last 10 years is more marked in our country. The Eurostat forecasts indicate that an abrupt decrease is expected up to the year 2060 of the young population weight in total population, and Romania is among the countries affected to a large extent by this trend, as of 2015 Romania falling behind the EU-27 average. The fertility rate in Romania was placed in 2011 at the level of 1.3 considerably under the 1.6 level registered in average within the EU-27.

### **1. Features of the Youths' Labour Market at the Level of Romania's Development Regions**

The employment rate of the population aged 15 to 64 years of age in Romania (59.3% in QIV 2013) is smaller than the European Union average (64.3% for the same year) the national target being of 70% up to the year 2020<sup>3</sup>.

For the age group 30-34 years of age in QIV 2013 is registered a level of the employment rate slightly over the European one (83.2% against 83.1%), for all other age groups (15-19, 20-24, 25-29 years of age), the youth being considerably under the EU-28 values: 7.5% the employment rate for youths between 15 and 19 years of age (against 14.9% in EU-28); 30.8% from the Romanian youths between 20-24 years of age are employed against 47.7% from the youths in the EU; 66.1% from the Romanian young individuals aged between 25-29 years of age are employed against 70.5% of the European young individuals.

At regional level important discrepancies emerge, so that the lowest rates of employment for youths aged between 15-25 years of age were recorded in QIV 2013 in the Regions Centre (15.5%) and West (17.2%), while there are also regions with a significantly better situation, North-East (27.6%), South-Muntenia (25.9%) and South-West Oltenia (25.3%). Also, major differences are registered between men and women: the employment rate for young men between 15 and 24 years of age (Figure 1).

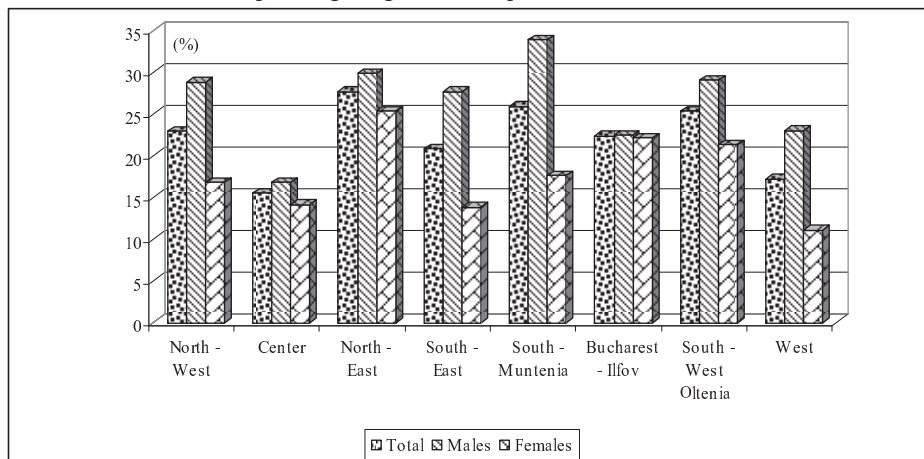
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<sup>1</sup> Statistical Yearbook of Romania 1990-2013, National Institute of Statistics

<sup>2</sup> Approximately 80% from the youths registered as emigrated in 2011 in official statistics are between 18 and 40 years of age. Source NIS, TEMPO Data Bank.

<sup>3</sup> According to the European Commission, Recommendation for a COUNCIL RECOMMENDATION on Romania's 2013 national reform programme and delivering a Council opinion on Romania's convergence programme for 2012-2016 {SWD(2013) 373 final}, p. 4, available at <http://ec.europa.eu/>

**Figure 1.** Employment rates of youths (15-24 years of age) at regional level and depending on gender for quarter IV 2013



Source: TEMPO Online time series, National Institute of Statistics

Significant disparities can be observed also between the urban and the rural area. According to NIS data, in QIV 2013 the employment rate of young individuals (15-24 years of age) from the urban area was of 16.2%, while in the rural area was registered a significantly higher rate (29.6%). This age group, together with the age group of individuals between 55-64 years of age registers the lowest employment rates per total population (22.8% and, respectively, 41.7% in QIV 2013).

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. Only approximately 94.5 thousand youths employed in Romania with ages between 15 and 24 years of age worked part-time in QIV 2013 against 5805.5 thousand individuals within the EU-28. Almost three quarters were employed in this manner involuntary against the situation at European level where approximately the same share of youths prefers this type of employment. While 7177 thousand youths aged 15 to 24 years of age employed in the EU-28 had a temporary job in QIV 2013, only 20 thousand young Romanian individuals were temporarily employed on the job<sup>1</sup>. Temporary and part-time employment are constituted more as a hindrance at youths' entry on the labour market instead of representing a characteristic of a flexible labour market with alternative employment forms.

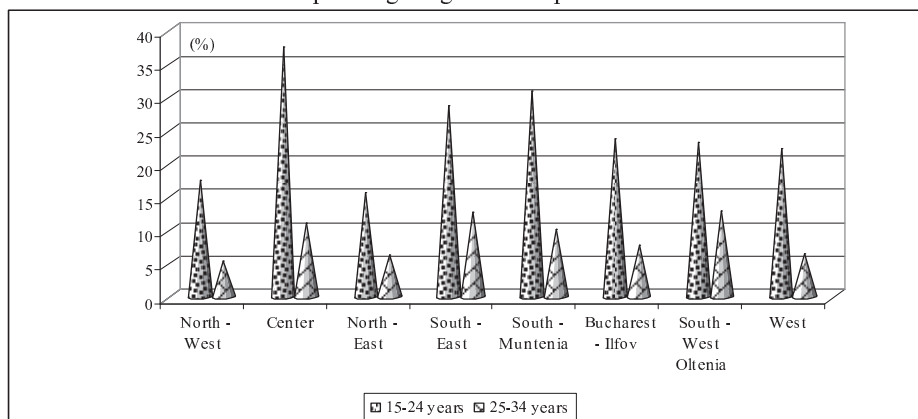
The young individuals employed in the informal sector, respectively mainly in the subsistence agriculture constitutes one of the most vulnerable social

<sup>1</sup> Data source about temporary and part-time employment: Eurostat: lfsg\_etgaed

categories<sup>1</sup>. Over 40% from the individuals employed in the informal sector are young individuals between 15 to 34 years of age.

The ILO unemployment rate for the whole population is of 7.2% a rather low level in the context of EU-28 (quarter IV 2013) while among the youths under the age of 25 years of age is registered an alarming value of 24.3%<sup>2</sup>. The access to the European resources mobilised by the Initiative for Youth Employment depends on the situation of unemployment among youths at the level of the year 2013. In three of Romania's development regions (NUTS 2), respectively Centre South-Muntenia and South-East the unemployment rate among youths aged between 15 and 25 years of age exceeded in Q IV 2013 the value of 25% (Figure 2) which makes them eligible for European financial support within the aforementioned Initiative.

**Figure 2** Unemployment rate on age groups among young individuals at regional level and depending on gender in quarter IV 2013



Source: TEMPO Online time series, National Institute of Statistics

The data regarding unemployment among youths at regional level indicates that there are significant regional differences, the level varying between 37.5% in the Centre region and 15.5% in the North-East region for the age group 15 to 24 years of age in quarter IV 2013 (Figure 2).

A large part of the unemployment among youths is chronic extending for more than one year: 43.3% from total unemployed aged between 15 and 24 years of age were long-term unemployed in 2012. The long-term unemployment rate among youths aged between 15 and 24 years of age was of 13.3% against 3.2% for the whole active population.

A special risk is represented by the fact that graduating higher-education does not improve the success changes on the labour market, contrary to the trend at global level. Thus, if the ILO unemployment among young individuals between 25

<sup>1</sup> Report of the Presidential Commission regarding Demographic Risks in 2010.

<sup>2</sup> TEMPO-online Data Bank – Romania's National Institute of Statistics.

and 29 years of age who graduated upper-secondary education or post-upper secondary education was of 10.3% in 2012, the level was of 10.9% in the case of higher-education graduates. The entry of higher-education graduates on the labour market is hindered because employers prefer experienced personnel<sup>1</sup>.

In the year 2013, 17.2% from Romania's youths were classified as NEETs (young individuals between 15 and 24 years of age who are not employed, nor in education or training), against 13.0% from the youths within the EU-27<sup>2</sup>. After several years of decline at European level, the weight was stabilised in 2008, but increased thereafter as result of the economic crisis. In Romania the NEET weight also increased from 11.6% in 2008 to 17.2% in 2013.

While in the year 2008, 11.6% (men: 8.8%; women: 14.5%) of the individuals aged between 15 and 24 years of age were included in NEET, the share of these individuals increased to 17.4% in 2011 (men: 15.9%; women: 18.8%) and to 17.2% in the year 2013 (men: 15.5%; women: 18.9%), after a slightly decreasing trend in the year 2012 (16.8%).

The exclusion from labour, education or training is in Romania a bigger issue than for the average of the European Union. The consequences on long-term of young individuals' circumstances that are neither employed, nor in any form of education or training are drastic: poverty and exclusion from social life. In other words, poverty, marginalisation and social exclusion represent the logic consequences of a possible failure of investments in the human capital and for the education aimed at the youths.

Also for this indicator of the youths' labour market are recorded significant disparities at regional level, with a very high rate of NEET individuals in total population for the region Centre (33.5% in 2011), and a relatively low rate in the West region (15.7%)<sup>3</sup>.

For youths', the increase in the unemployment period or the NEET condition can have severe personal consequences, but also for the community to which they belong, both on short- and long-term. These can be of a financial nature, but also of social nature: isolation, involvement in risks related to unstable behaviour from the physical and psychological viewpoint. Many of them give up seeking a job (Figure 3).

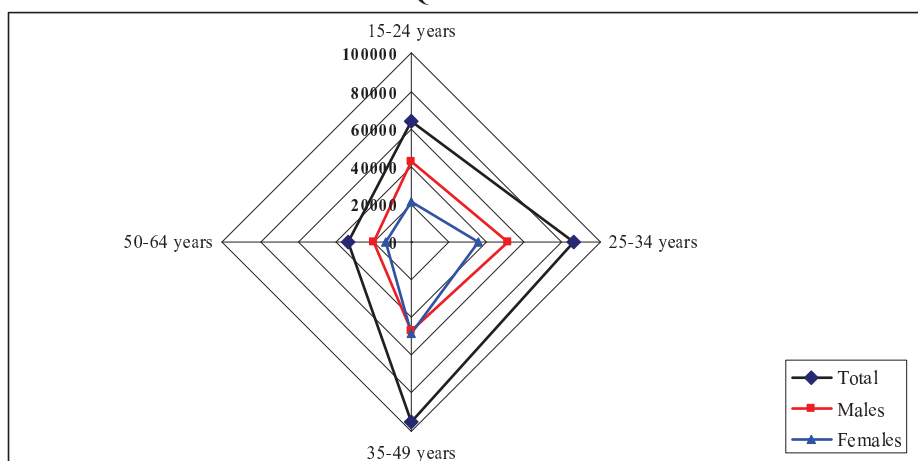
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<sup>1</sup> Absolventii recenti de invatamant superior si integrarea lor pe piata muncii (Recent Higher-Education Graduates and Their Integration on the Labour Market), Bucharest, DOCIS; 2010

<sup>2</sup> Databasis Eurostat [edat\_lfse\_20];

<sup>3</sup> Sector "Labour Force Employment", www.fonduri-ue.ro

**Figure 3** The number of persons discouraged in seeking a job, on age groups in QIV 2013



Source: TEMPO Online time series, National Institute of Statistics

The analysis of data regarding the evolution of the youths' employment rate on one hand and of the NEET share on the other, is rather difficult. Very few analyses have been realised during the last years to this end. In any case, the low employment rate of the youths does not necessarily mean that these individuals are enrolled in education. Just to the contrary, the opposite is true, with variations between the various regions of the country (as shown above). The most plausible explanation seems to be, for the time being, that the low employment rate of the youths and the high share of NEETs indicate that a large number of young individuals are involved on the black market delivering undeclared or informal labour. Another explanation can be found in the potentially high number of youths who emigrated to other EU member-states without declaring this to the authorities.

The youths from Romania have access later and to a smaller extent to the labour market, and the incomes obtained are lower. Thus, Romania has the highest level of poverty of the youths' between 18 and 24 years of age who work: 30.7% from them were poor in 2011 (for the whole employed population the level was of 19%) even though they had a job, while in the EU-28 the value is of 11.2%. The wage poverty of the youths acquires an even more worrying aspect if the fact is taken into account that this group is on increase: in the year 2008, at the beginning of the economic crisis, 23.1% from the employed young individuals were poor.

Irrespective of the method of estimating poverty, children and youths were constantly the most exposed categories for the last decades.

More than a quarter of the youths between 18 and 24 years of age find themselves in relative poverty (28.1% in 2011), a fact which places Romania among the three countries with the most severe situation in the EU-27. At the same time, the level is on increase during the last years.

More than one third from the youths faces the risk of poverty or social exclusion, respectively 40.3% against 24.3% within the EU-28. For the whole population from Romania, the risk of poverty or of social exclusion is considerably lower, of 24.3%.

In Romania, 60% from the youths aged between 18 and 34 years of age live with their parents, against 48.5% within the EU-28. The highest weight of population residing in over-populated houses from within the EU-27, save for Hungary, is thus recorded in Romania. With 2.9 persons per household in average, Romania has the highest number of members per household within the EU-28, at equality with Bulgaria, Croatia and Malta.

The constraints of the labour market, increasingly tougher for youths, and lacking access to independent living solutions are among the factors that lead to postponing important decisions in the sphere of family life. The age for the first marriage increased between 1990 and 2010, from 22 to 26 years of age for women, and from 25 to 29.1 years of age for men. The average age at the first birth also increased considerably, from 22.4 years to 26 years in the same time period. As result of the economic crisis, approximately one out of ten young individuals declares that he/she had to give up education, postpone the marriage decision or the one of having a child.

Partially as result of the high weight of population residing in the rural area, 43.3% from the young individuals aged between 12 and 17 years of age are severely deprived regarding housing conditions: they live in an over-populated house and are affected by at least another issue of inadequate housing (poorly insulated roofs, bathroom, restroom, toilet, shower lacking, or the house has inadequate lightning). The severe housing deprivation from Romania is over 4 times higher than the European average.

## **Conclusions**

The world crisis, the social reality which all societies are confronted with brought again at the front the idea of youths' frailty on the labour market. The high level of unemployment among youths is representative and has two major influences: the decrease of employment chances of the youths in general, and diminished opportunities of economic development, both at national and world level.

Unemployment among youths generates long-term effects both on the income and on the stability of the job, because youths affected by unemployment have a lower level of credibility and are not as trusting and flexible about employment opportunities and thus, developing with more difficulties from the professional viewpoint.

The youths' labour market from Romania is in a continuing decline for the last years, the unemployment rate on this population segment increasing in the period 2008-2013 from 18.6% to 23.6 % from the viewpoint of the quarterly employment rate of the youths, in the quarters I-IV 2013, it underwent an improvement against the previous quarters and had an ascending evolution. Also,

the employment rate is higher for men, by approximately 7.9%, but also for those residing in the rural area, by 17 percentage points.

Because the traditional indicators regarding youths' participation on the labour force market has a limited relevance for analyses and prognoses, the NEET concept was implemented. This concept describes and analyses the youths' vulnerability on the labour market.

The national and European statistics indicate that, in average, the NEET rate among women is higher than among men, as well as among youths with a low education level.

For youths, the increase of the NEET period can have severe consequences at individual level, but also within the community in which they find themselves both on short- and long-term. These consequences can be of financial nature, but also of social nature: isolation, involvement in risks related to unstable physical and psychological behaviour.

This is an issue that must be approached with maximum responsibility/seriousness both at European Union level, and in Romania. A coherent strategy is necessary on medium- and long-term, that would comprise measures for creating jobs for youths, as well as providing fiscal facilities to employers, encouraging and financing free-initiative among young individuals, concentrating on developing the sectors for which there already are thousands of graduates but who are unemployed, but also coordinating educational programmes with the labour market dynamics.

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