Emerging Markets Queries in Finance and Business

Youth Unemployment in Romania and Measures to Combat It

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Abstract

The objective of our paper is to highlight and analyse important aspects related to the youth unemployment in Romania and the measures to combat it. It starts by pointing out the challenge for the labour market represented by the issue of youth unemployment. It continues with a presentation of some of the most important Romanian labour market institutions and their roles. It then focuses on the youth unemployment in Romania and the measures to combat it. We conclude that the youth unemployment in Romania represents a major challenge for the Romanian labour market and that the measures to combat it, although diverse, must improve their efficiency.

Keywords: labour market; labour market institutions; unemployment; youth unemployment; measures against youth unemployment;

1. Introduction

According to the European Commission’s website: “The Europe 2020 strategy is about delivering growth that is: smart, through more effective investments in education, research and innovation; sustainable, thanks to a decisive move towards a low-carbon economy; and inclusive, with a strong emphasis on job creation and poverty reduction”.

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The results of a statistical-economic analysis conducted under a research made by Herman, 2012, based on the data recorded in Romania between 2000 and 2010, reveal “the positive influence that the level of education, especially higher education, has on the labour market” and confirm that “a better-educated population, with a qualification corresponding to the needs of the labour market, is characterized by higher employment rates and implicitly lower unemployment ones.” The study also underlines “the fact that the lowest level of the population with tertiary education per 100 population aged 25-64 is recorded in Romania compared to other EU countries, fact that requires taking some measures for increasing the level of education of the population in Romania.”

Popovici, 2011 points out that, according to the data supplied by the National Institute of Statistics, there is a decreasing trend with regard to the evolution of young population until 2025. This evolution may be explained by the decrease in the birth rate, the increase of the period and level of education, the social mobility, women’s emancipation. Regarding youth unemployment rate in Romania, it was of 22.1% in 2010, a little higher than the average unemployment rate in the European Union. This situation can be explained, on one hand, by the inexistence of a correspondence between the too much theoretical educational level and the requirements of the labour market, and, on the other hand, by the companies’ desire to employ qualified labour force. The lower unemployment rate among youth with higher education, in comparison with other categories, as well as the fact that the smaller the necessary period for finding a work place, the higher the educational level is, brings an increasing importance to the diploma at the beginning of the career.

Ştefan and Chivu, 2011, show that: “Increased interest in higher education is determined by the existence of a higher degree of labour market absorption of highly skilled labor and a lower risk of unemployment for university graduates”.

Florea and Oprean, 2010, also reveal that “graduate employment is being presently challenged to the core and two of the most frequently invoked underlying reasons are unadjusted curricula to job market demands, and graduate skills’ failure to meet employers’ requirements.”

2. Romanian Labour Market Institutions

As a result of the new conditions and requirements of the economy and simultaneously with the development of the appropriate legislative framework, the labour market institutional system has diversified and improved. Currently, there is a new institutional system which, as will be further strengthened, will be able to meet the present and future needs of labour market development and functioning.

The labour market institutions, according to the areas they cover and the roles they play, can be grouped into several categories:

- Institutions of the labour demand: the economic agents, the county labour agencies, employers and others;
- Institutions of the labour supply: family, school, the county employment agencies, the Ministry of Education, Research, Youth and Sport and so on;
- the institutions of the labour market equilibrium: government, unions, employers, organizations involved in the field of active and passive employment policies;
- social protection institutions: government, businesses, the county labour and social protection agencies, etc.

A major principle behind the development of the labour market institutional system was decentralization. In this regard, the Ministry of Labour, Family and Social Protection is the institution that develops strategies and policies for employment, training and social protection of the unemployed, according to the official website of this institution.

It accomplishes its tasks by the county labour agencies and public institutions, of national interest, which apply and/or control the application of the legislation in the field: the National Employment Agency NEA, the National Council for Adults Training NCAT, the Labour Inspection LI.
On the county level, the County Employment Agencies CEA and Local Employment Units LEU correspond to the NEA.

Other principles behind the development of the institutional system of the labour market were:
- development of social partnership at national, territorial and sectorial level regarding employment and unemployment fund management;
- public employment service gratuity;
- non-discrimination and equality of chances in terms of labour market opportunities and treatment;
- social protection of the unemployed etc.

The NEA has the following objectives, as highlighted on its official website:
- institutionalizing social dialogue on employment and training;
- applying strategies in employment and training;
- applying social protection measures.

Together with its territorial structures, it has expertise in the organization, management and implementation of the policy regarding the employment and social protection of those searching for a job.

By law, the main tasks of the NEA are:
- organizing employment-related services;
- providing and financing training services in accordance with the employment policy and labour market trends, with the aim of facilitating employment;
- supporting partnerships and co-creation of new jobs, especially in areas where the labour market is tensed;
- guiding the unemployed and mediating between them and employers to achieve the balance between the labour supply and the labour demand;
- elaborating and submitting the draft budget of the fund for the payment of the unemployment allowance;
- administering the fund for the payment of the unemployment allowance;
- proposing to the Ministry of Labour, Family and Social Protection draft laws in the field of employment and vocational training and social protection of the unemployed persons etc.

As can be seen, the law assigns to NEA the role of implementing both the active employment measures, to stimulate job creation and the passive employment measures, i.e. social protection of the unemployed.


According to its official website, The Ministry of Labour, Family and Social Protection has overall responsibility to develop employment policies and labour market programs and national plans. It also has a responsibility to prepare budget reports to the unemployment insurance budget based on proposals made by the National Agency for Employment, to control their execution and implementation of employment policies, strategies, plans and programs conducted by the National Employment and the National Training Council.

The labour market institutional system includes many other labour market institutions, with specific roles, according to the areas they cover.

3. Unemployment and youth unemployment in Romania in figures

According to the “Labour Force in Romania: Employment and Unemployment in the Second Quarter of 2010”, National Institute of Statistics, 2010, in the second quarter of 2010, the active population was of 10,185 thousand persons, among which 9,488 thousand employed persons and 697 thousand unemployed persons, defined according to the criteria of the ILO International Labour Organization, www.ilo.org.

In the second quarter of 2010, the ILO unemployment rate was of 6.8%. The difference between the unemployment rate for men and women was 1.1%: 7.3% for men, compared to 6.2% for women and the difference between the unemployment rate for the urban environment and the rural environment was 3.9%: 8.6% for the urban environment, compared to 4.7% for the rural environment.
With regard to the situation of young graduates and their extent of absorption on the labour market in Romania, the situation is not so good according to statistical indicators. In the second quarter of 2010 the ILO unemployment rate was the highest: 20.5% for youth 15-24 years. Unemployment affected to a lesser extent higher education graduates, for whom the unemployment rate was of 4.1% and 5.7%, respectively, compared with the 8.0% rate recorded for the unemployed with secondary education.

According to Fig. 1, presented in a study made by Multi Consulting Group SRL, 2010, the highest number of the ILO unemployed for the age group 25-34 years was recorded in the first quarter of 2010, this period being unfavourable for those aged 35-44 years and those aged 45-54 years, too, the number of the unemployed being the highest, compared with the analysed periods.

![Fig. 1. Evolution of the ILO unemployed number by age groups. Source: www.via-consiliere.ro](image1)

As highlighted by Fig. 2, presented in the above-mentioned study, the unemployment rate for people with higher education was higher in the first quarter of 2010, the same trend being recorded for people with secondary education. For the low educational level, the unemployment rate registered the highest value in 2009 compared to the analysed periods.

![Fig. 2. Evolution of the unemployment rate by levels of education. Source: www.via-consiliere.ro](image2)
The ILO long-term unemployment rate, unemployed for at least a year, was 2.4%. The percentage of persons unemployed for at least a year in the total number of unemployed was 34.9%. Long-term unemployment manifested with greater intensity for men: 39.2% versus 28.6% for women and among people in the urban areas: 35.3% compared to 34.1% for the people in the rural areas. Regarding youth 15-24 years, long-term unemployment rate, unemployed for at least six months, was 13.3% and the incidence of long-term unemployment among the youth was of 64.9%, as pointed out by Multi Consulting Group SRL, 2010.

4. Measures to combat unemployment and youth unemployment in Romania

According to the official website of the National Employment Agency, in order to create as many jobs as possible, the NEA conducts an accreditation program for small and medium enterprises SMEs, through county agencies for employment, together with Bucharest. Credits are awarded on the basis of feasibility projects, proportional to the number of jobs to be created for a period of at least 3 years, for investment, including the grace period not exceeding 6 months and, respectively, a year, to ensure production.

Borrowers must meet the following conditions:
- have maximum 250 employees and / or cooperating members with labour or service relationships;
- the basic activity to be carried out in manufacturing, services or tourism;
- staff from the unemployed people registered with employment agencies to be employed on at least 50% of the newly created jobs;
- the staff coming from the unemployed people to be kept in business for at least three years;
- the jobs considered when granting loans not to be the vacancies resulting from staff layoffs in the last 12 months prior to the conclusion of the work contract.

Regarding jobs subsidizing, it is granted to employers, for a period of maxim 12 months, for each person among the unemployed being employed with individual labour contract, and the amount of the subsidy is 70% of the gross national minimum wage in force. Law no. 76/2002 regarding the unemployment insurance system and employment stimulation with subsequent amendments, among the last ones being Law no. 233/2010 amending and supplementing Law no. 76/2002, stipulates the legal facilities which employers who hire graduates of educational institutions receive, as well as the facilities which graduates are given at employment, as we shall further emphasize. So, employers who employ on an indefinite term graduates of educational institutions receive for each graduate, during a 12-month period, a monthly amount representing a gross national minimum wage in force. As we can see, the state is taking a number of measures to facilitate young graduates’ access on the labour market, encouraging in this way employers to provide as many jobs for youth, despite the fact that most of them have no experience. Regarding the natural or legal persons employing graduates in these conditions, they are required to maintain their labour or service relations for at least 3 years after their conclusion. Unfortunately, this measure only partially achieves its purpose for which it was introduced, because the amount of subsidy is the same, no matter which category is addressed to, and then businesses will prefer hiring graduates of higher education, better prepared, being discriminated against those who did not complete another form of education. In this case there is a form of disguised unemployment, or employment of these young people in inadequate jobs, under their education, with low productivity and low wage levels. The conclusion is that the expected social efficiency, of reducing youth unemployment, is very low, and many of them, by entering the labour market, will not take up a job related to their education. The Romanian Government, through its empowered institutions, continually develops measures aimed at training youth and adults, all of them being designed in accordance with the current requirements of the Romanian market, all being designed to improve the employability and extend active life on the labour market. The state offers a range of financial incentives to integrate graduates on the labour market.

Also, when employing graduates, regardless of their form of education, graduates are given a host of facilities at employment. The legislation in force provides that education institutions graduates and graduates of
special schools, aged 16 or over, registered at employment agencies, when getting a job with a normal work schedule for more than 12 months, benefit from the unemployment insurance budget of a premium equal to the reference social indicator value in force on their employment day, %, as pointed out by Multi Consulting Group SRL, 2010. In 2012, the reference social indicator value is 500 lei. In the current legislation, the unemployed who take up a job while entitled to compensation, receive a payment of 30% of the monthly allowance, or the full amount of its, and if graduates for the period they would have been entitled to allowance. Amounts shall be paid only if the employment is maintained for at least one year; otherwise they will need to be returned. Another way of financial incentive to hire graduates is that employers who hire graduates on indefinite term, no longer to have to pay for 12 months their due contribution to the unemployment insurance, related to the employed graduates, and receive monthly for every young up to 750 lei, depending on the educational level of the graduate employee.

5. Conclusions

Our paper reveals that, despite the diversity of the measures to combat the youth unemployment in Romania, it continues to represent a severe issue and a major challenge for the Romanian labour market. Therefore, the measures to combat it adopted by the institutions which compose the Romanian labour market institutional system must improve their efficiency. In the same time, the Ministry of Education, Research, Youth and Sport and the Ministry of Labour, Family and Social Protection should intensify their efforts for creating a correspondence between the youth educational level and the increasing requirements of the labour market.

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