

## **YOUTH UNEMPLOYMENT RATE IN EUROPEAN UNION. REGIONAL APPROACH - ROMANIA**

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**Abstract:** : One of the major challenges which Romania faces, and also most of European countries, is high youth unemployment which became worse in the current crisis period. This phenomena appeared in the crisis context first because youngsters had and they still have difficulties entering on the labour market and after being hired they were been affected in the first wave of dismisses.

At European Union level is considered as high priority young entrance on labour market first from employment policies development point of view, and second from educational ones.

In Romania, young people have problems at entering on labour market especially due to poor education. Educational system have suffered in the last decade because major lack of funds and also because of high poverty rate which led to education dropout.

**JEL classification: J01, J21, J45, O15**

**Key words: labour market, youth unemployment, youth employment, education, employment policies**

### **1. Introduction**

Young people are recognized as one of the most vulnerable categories in society, and lately more young people have been affected by unemployment.

Juan Somavia, the General Director of International Labour Office admits that: “creating jobs for youth is not enough. Across the planet, youth are not only finding it difficult if not impossible to find jobs, but also they cannot find decent jobs. ... We are facing not only an economic challenge, but a security threat of monumental proportions.” (International Labour Office, 2010)

In the current context of economic instability, young people experience decreased possibility to find a job. There is no doubt that this global economic crisis increased the fragility of youth labour market. for example, in late 2010 there were approximated 75 million youngsters trying to find a job. (International Labour Office, 2010)

Youth unemployment in the European Union Member States reached 20% since 2009, which means that about 5 million young people (15-24 years) are unemployed. (European Commission, 2011)

According to EU forecasts, until 2020, 35% of jobs in demand on the European market will require higher education. Currently, only 26% of workers are university graduates, much less than the levels registered in U.S., Japan or Canada. (European Centre for the Development of Vocational trainings, 2010) This is the reason for which the entire European Union is trying to achieve smart, sustainable and inclusive growth, and for this special purpose the educational objectives proposed by Europe 2020 Strategy are: to reduce early school leaving rate to a maximum of 10% and to increase the tertiary graduated persons number (30-34 years) at least at 40%. (Romanian Government, 2011)

In Romania, as in most European countries, unemployment among young people remains a major social problem. In May of 2011 a percentage of 22.8 young people (15-24 years old) were not employed. This problem is due transition from school to work. This transition refers to the period between graduation and employment on a stable full time job. (OECD, 2010)

National Institute of Statistics published in 2009 some data where 33.6% of graduates had a job 1 year after graduation. This is due employment crisis and lack of youth training.

## **2. OBJECTIVES**

The main aim of this study is to determine and analyze the causes of rising unemployment among young persons in Romania in the EU context. The main factors influencing this phenomenon are: the level of education, school early leaving and poverty rate. The level of education of youngsters depend especially on effective educational system viewed as a whole because „the likelihood of a youngster obtaining a stable and adequately remunerated job depend, among other things, on the quantity and quality of education received”. (Garcia., 2011)

Given that all young people should have access to a decent job regardless of their sector, Member States must assume their responsibility in this regard, and if the education level would be improved, then the early school leaving rate and poverty rate would change as well. Romanian labour market faces challenges mainly related to three form five Europe 2020 Strategy’s goals. These are: the employment rate (20-64 years) should be 75% focusing their attention on the increased participation of young people, limiting the maximum 10% rate of early school leaving (18-24 years) and decreasing the number of people at risk of poverty by 25%. (European Commission, 2010)

## **3. METHODOLOGY**

Employment issues of young people are easily affected by the economic cycle. Youth are generally the first to lose their jobs in the crisis period and the last to gain employment when the economy recovers. The experience from past jobs crises shows that it takes longer for young people to obtain the benefits of economic rebound and employment growth, even more so for disadvantaged youth. (International Labour Office, 2010)

A set of important short term policies that should be applied in the labour market field should target young graduates who cannot find a job and who are threatened of losing the contact with labour market.

Poverty is one of the reasons for early school leaving phenomenon which leads to youngster without a chance for having a better paid job. A person is considered to be

in relative poverty if the income is less than 60% of median income available. (Dinga, 2010)

The poverty indicators are: child poverty, poverty households with children and total poverty. (OECD, 2011). In order to solve the problem of reducing the number of people in poverty we need a set of measures not only social and institutional ones, but measures which come from several sectors. These include: education, taxation, social assistance and labor market measures. (Dinga, 2010)

One of the social effects of poverty on children is early school leaving, for example, in Romania the rate of this phenomenon in the first quarter of 2011 was 16.6% according to European Commission statistics, exceeding the average of Europe, this occurring mainly due to high poverty rate.

At the social and economic level, increased early school leaving rates have a strong impact on economic growth and social developments. A key investment in future prosperity and social cohesion of the European Union is drastically reducing the number of early leaving school youngsters. This measure is a pathway for reaching other Europe 2020 Strategy targets, and also a measure to increase integration into the labour market.

European Commission observed that if the early school leaving rate will be decreased with 1%, European economy will gain nearly half a million of qualified potential young employees.(European Commission, 2011)

Regarding early school-leaving, some Governments (AT, BE, BG, EE, IE, NL, CZ, SI, PL, SK) considered the European target (reducing early school leaving to 10%) as being too weak and went further, in proposing even lower national targets, with the notable examples of the Czech Republic (5.5%), Slovenia (5%) and Poland (4.5%) (European Network, 2011)

Early school leaving is strongly influenced by the educational system. A United Nations' study shows that in countries where education has a poor quality, there were recorded high unemployment rates.

The educational system in Romania does not take into account changes that have occurred on the labor market and continue to produce university graduates who are struggling with increasingly difficulties at job finding after graduation. In 2009 participation in education was higher for persons aged between 15-19 years, reaching 83.3% while for 20-24 years age group the percentage was 40.6% (National Institute of Statistics, 2009)

Job prospects of youngsters are strongly correlated with their levels of educational attainment. Employment and wages depends on qualification levels and the labor market increasingly requires more people with higher education. (European Commission, 2011)

Policy options aimed at achieving high levels of overall employment and job quality will also improve decent work prospects for the young labour force.

Unfortunately, even if the number of jobs will increase, young people will still be affected by lack of experience, distrust of potential employers and by labor market competition made by people over 35 years.

#### **4. ANALYSES**

During the crisis, youth unemployment increased at a higher level than total unemployment rate. Today, youth are between two and three times more likely to be unemployed than adults.

Youth unemployment is much higher than for others age groups. In European Union Member States unemployment rate for people with higher education (Table 1) is lower than the general unemployment rate (Table 2), but in Romania the situation is different. This is because the education system has not yet adapted to market requirements and the fact that jobs for graduates of higher education are insufficient. EU policies have helped to return to the labor market especially for young people with tertiary education.

In the first quarter of 2011 higher education graduates without a job were less than those of the same category in 2010, while overall unemployment rate still have an upward trend. This trend was observed both in Romania and other EU Member States.

**Table no. 1: Unemployment rate (15-24 years) with tertiary education (%)**

GEO/TIME	2009	2010	2011Q1	2011Q2
European Union (27 countries)	15.4	16.2	15.3	15.1
Euro area	16.0	17.1	16.9	15.9
Romania	24.1	28.7	24.6	22.8

*Source: Eurostat, 2011*

The highest values of Romanian youth unemployment are found at persons who attend secondary education. Almost half of the total number of young unemployed (42%) are long term unemployed (1 year or more) increasing the total unemployment rate.

**Table no. 2: Unemployment rate (15-24 years) by total level of education attained (%)**

GEO/TIME	2009	2010	2011Q1	2011Q2
European Union (27 countries)	19.9	20.9	21.4	20.8
Euro area	19.8	20.5	21.0	20.1
Romania	20.7	22.1	23.6	21.8

*Source: Eurostat, 2011*

Countries with low educational level due to early school leaving have increased unemployment rates. Generally speaking, poverty is the decisive factor influencing school leaving, but in Spain case, the country with the highest youth unemployment rate, there were another decisive factors.

In the case of Netherlands, however, the initial assumption that poverty, school leaving and educational level influence youth unemployment, was confirmed, here being the lowest poverty, early school leaving and unemployment rates.

**Table no. 3: Youth unemployment in EU**

GEO/TIME	2009	2010	2011Q1	2011Q2
European Union (27 countries)	20.1	21.1	21.0	20.6
Euro area	20.2	20.9	20.6	20.3
Romania	20.8	22.1	22.8	22.8
Spain	37.8	41.6	44.1	45.2
Netherlands	7.7	8.7	7.4	7.0

*Source: Eurostat, 2011*

**Table no. 4: Living conditions and education in EU**

	At risk of poverty rate, 2009		Early school leavers, 2010		Educational attainment, 2010	
	Men	Women	Men	Women	Men	Women
EU 27	15.4	17.1	16	12.2	73.7	71.8
Euro area	14.9	16.8	18	13.1	69	67.9
Romania	21.4	23.4	18.6	18.2	78.5	70.2
Spain	18.3	20.6	33.5	23.1	51.5	53.7
Netherlands	10.8	11.3	12.2	7.9	73.9	70.8

*Source: Eurostat, 2011*

In Romania, the poverty rate is directly proportional to the school leaving rate, but, paradoxical, education has not suffered drastically because of this, there were recorded very high levels of education.

It is recognized that persons with higher education have a raised participation rate on the labour market and also an increased life expectancy. Therefore, we can conclude that employment rate is direct proportional with educational level. In order to achieve the Europe 2020 Strategy and to have a healthy labour market we have to create an economy in line with labour market needs and the economy has to be based on knowledge, education and research.

## 5. CONCLUSIONS

The crisis has also increased the risk of social exclusion of disadvantaged youth (International Labour Office, 2010)

At this time, European Union have a lot of programs that encourage young people from developing countries (representing 90% of the total number of young people in EU because of the population aging process) to enter on labour market preferably on permanent jobs.

Although young people represent a basic class of society, representing it's future, on labour market they are the most marginalized group, so, in present we have over 5.5 milion unemployed youngsters. (Eurostat, 2011)

The situation in Roamania in terms of youth unemployment is more vulnerable, according to presented data, than that of many EU Member States because high level educated youngsters have more difficulties in finding a job than in the other Member States, resulting that Romania's educational system is not work market orientated. In conclusion, unemployment is strongly influenced by poverty, school leaving and level of education, so the three objectives of Europe 2020 Strategy (to reduce early school leaving rate to a maximum of 10 % and to increase the share of tertiary graduates aged 30-34 years at least 40%) should be treated together.

## ACKNOWLEDGEMENT

This work was partially supported by the strategic grant POSDRU/88/1.5/S/49516, Project ID 49516 (2009), co-financed by the European Social Fund – Investing in People, within the Sectoral Operational Programme Human Resources Development 2007 – 2013

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