

EVOLUTIONS OF UNEMPLOYMENT AMONG THE YOUNG OVER THE ECONOMIC AND FINANCIAL DOWNTURN

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ABSTRACT: The downturn on the global financial markets that struck the world economy in the mid 2008 affected the world economy in its whole, nevertheless, it also had a great impact upon the labour force market in the European countries. After several years of economic growth and of relatively high labour force occupation rate, this caused EU to register levels of decrease that had not been registered for decades.

It is crucial to know the unemployment rate among the young in order to transform the young into active persons by means of specific policies aimed at this population category. The difficulties met by the young on the labour market have significant consequences upon their standard of living, upon their families and upon the national or international communities to which they belong. The most important effects of the young's inactivity are: the risk of poverty, the incapacity to play an active role in the development of the society, the lack of freedom in changing the society of which they form part.

This work presents a short analysis of the unemployment among the young at world level, at the European Union's level and Romania's level.

The current economic recession imposed and still imposes on the EU member states' governments to strongly interfere on the labour force market, especially in the field of youth occupancy. This work also deals with several of the measures adopted by different European states for the reduction of the unemployment rate among the young as well as for their introduction on the labour market.

Keywords: unemployment, economic and financial downturn, occupancy,

JEL Codes: E24, J61, J64, J65

Introduction

The new strategy on the economic growth and on the labour force occupancy in the EU, "Europe 2020 – A European Strategy for smart, sustainable and inclusive growth in the EU", adopted by the European Council in March 2010, proposes an overview upon Europe's development in the second decade of the 21st century, meant to lead both to overcoming the current economic and financial downturn, as well as to transforming the European Union into a smart and sustainable economy, favourable to inclusion, with high levels of labour force occupancy, of productivity and of social cohesion.

Among the flagship initiatives of the "Europe 2020" strategy, five depend on the modernization of education and of training: „Youth on the move”, „Agenda for new skills and jobs”, „Digital Agenda for Europe”, „Innovation Union” and „European Platform against Poverty”.

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The young will play an essential role in achieving the targets of "Europe 2020" strategy. The quality education and training, the successful inclusion on the labour force market and an improved mobility of the young are the basic elements for the attraction and participation of the young in achieving the target of "Europe 2020".

In the European Union, according to Eurostat statistics, the youth (age span 15-30 years) accounts for a fifth of the total population. Even though, currently, the modern Europe offers the young opportunities without precedent, they still face some challenges (also aggravated by the economic downturn) related to the educational and training systems and to the access to the labour force market.

Unemployment among the young is very high, amounting to 21.8 % in 2010 and to 21.9% in 2011. Given the context, in order to reach the 75% labour force occupancy target for the population aged 20-64 of the "Europe 2020" strategy, the transition measures/means of the young towards the labour force market need to be improved.

The estimates made at the European Union level indicate the fact that by the year 2020, 35% of the jobs will require high-level qualification combined with the capacity to adapt and to innovate.

Likewise, in the near future, an increasingly higher number of jobs will require digital skills, nevertheless, the EU economy suffers from a shortage of highly-qualified personnel in the IT&C field. The European Commission's report "Monitoring E-Skills Demand and Supply in Europe. Current Situation, Scenarios, and Future Development Forecasts until 2015" shows that the interest towards IT&C diminishes, the number of graduates of Informatics being in a continuous decline, starting with 2005. Nowadays, the European universities „produce" every year around 150,000 graduates of Informatics. Nevertheless, the tendency is downward and the forecasts indicate a reduction of the number of graduates in this field from this point forward.

For the EU-27, the decreasing number of students and graduates in the IT&C field is characteristic only to this segment of education, not to the general higher education.

In the European Union, according to Eurostat statistics, less than a person out of three has higher education studies (31.1%), compared to over 40% in the USA and over 50% in Japan.

Here are several of the main targets provided by "Europe 2020" strategy: i) at least 40% of 30-34-year-olds completing third level education or equivalent by 2020, ii) Reducing early school drop-out rates below 10%, iii) increasing the reading literacy level for the population aged 15, as well as the *digital literacy* that must be held by the 15-year-olds in order to be able to face the challenges of the knowledge society.

Developing the potential to create jobs of a new sustainable economy will also contribute to the reduction of the (high) unemployment rate among the citizens aged below 25, as well as to the use of the young generation's skills in relation to the use of new technologies.

This work presents a short characterisation of the labour force market at global level and at European Union's level and over the current economic and financial downturn.

Out of the numerous issues faced by the young labour force market, this work will analyze the evolution of unemployment among the population aged 15-24 at world level, at European Union level and at Romanian level.

The current economic recession imposed and still imposes on the EU member states' governments to strongly interfere on the labour force market, especially in the field of youth occupancy. The work also present a series of good practices within the European Union member states for the reduction to a minimum of the youth unemployment rate and for their inclusion on the labour force market, as well as some of the advantages of using young labour force in achieving the sustainable development targets.

Youth Unemployment at World Level

Youth unemployment is a topic approached more and more frequently in the analyses made at global, European or national level due to the fact that, in parallel with the severe worsening of the

main indicators that reflect the situation of the youth on the global labour market, the percentage of the young from the overall population is continuously dropping, leading thus to population ageing.

The international statistics indicate the fact that the most severe population ageing problems are encountered in the developed countries and in the European Union, in contradiction with the fact that these countries are able to ensure the highest level of studies and a decent standard of living for the young. The greatest part of the young is concentrated in poor regions with a more limited access to studies and with a poor standard of living (figure 1).

For the young labour force, at global level, the participation rates dropped from 53.8% in the year 2000 to 50.9% in 2010, which means that, currently, only every other young is active on the labour force markets throughout the world.

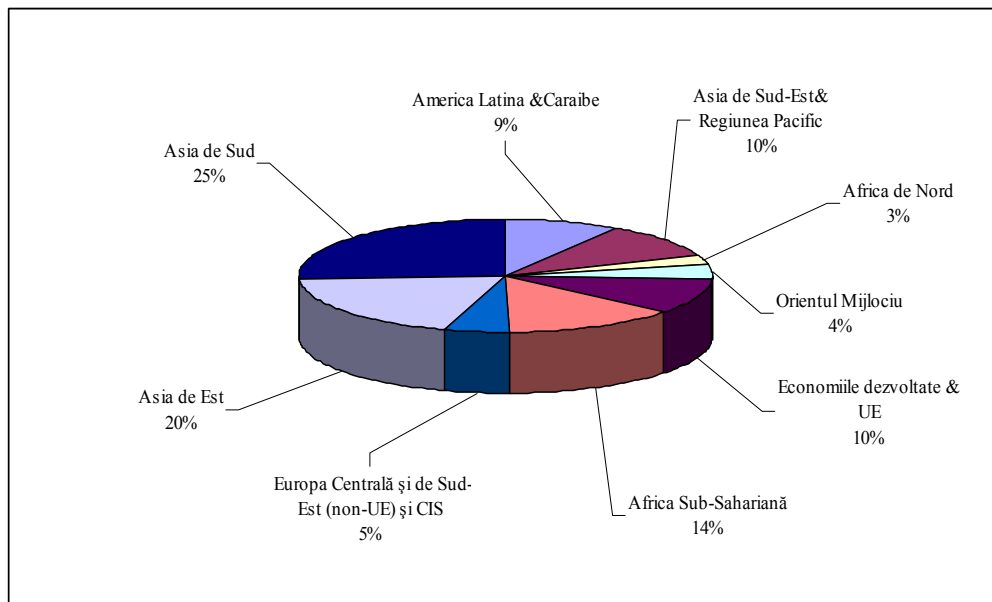


Figure no. 1. - The youth percentage from the overall population in the great regions of the world

Source: ILO, *Global Employment Trends for Youth*, August 2010

The drop of the young labour force participation in 2000 and 2010 characterizes all the regions of the world, with respect to both men and women. In most regions, the participation rates of young women on the labour force market are smaller than the ones of young men, except for Eastern Asia, where the young women participation rate is greater than that of young men, mainly due to the cultural traditions specific to the area.

Among the causes that lead to the high number of inactive youth on the labour market at world level, apart from the economic disturbances, we mention the more active enrolment of the youth in the study process, so that more and more youths continue their studies by the age of 23-25, meanwhile, not being employed, nor entering in the unemployed category. Nevertheless, the growth of the scholarization degree did not contribute to the reduction of the problems faced by the youth on the labour market, as their occupancy rate continued dropping over 2009 (figure 2).

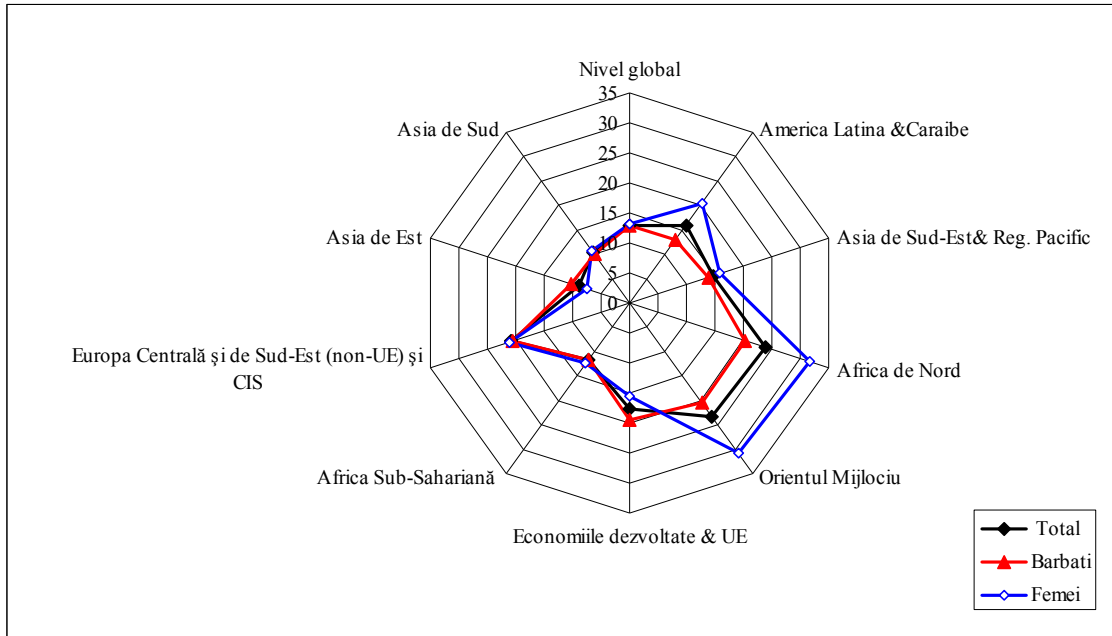


Figure no. 2. The young population occupancy rate in the great regions of the world, in the year 2009

Source: ILO, *Global Employment Trends for Youth*, August 2010

As regards the unemployment rate, the data provided by the international statistics indicate that the young register a higher unemployment rate than the adults. The Report drafted by the International Labour Organization, in August 2010, indicates that the unemployment rate among the young, at world level, amounted in 2008 to 12.1%, much over the general unemployment rate of 5.8%, as well as over the unemployment rate among the adults (over 24-year-olds): 4.3%.

Among the causes that lead to such situation, we mention: the lack of professional experience of the young, the lack of experience in searching for a job.

For the year 2009, the unemployment rate among the young grew, nevertheless, not caused by the world economic downturn that affected more the adults than the young (as regards the employment indicators): over 2008-2009 the unemployment rate among the adults grew by 14.6%, while the same indicator among the young grew by 9.0%.

Youth Unemployment in the European Union

In the European Union, the unemployment rate among the young is higher than for the other age categories, similar to the one at world level. Even though the young in this region do not form the great majority of the population, in fact, they represent the minority, they are the ones who encounter great difficulties on the labour force market.

The population aged 15-24 accounted for 12.1% of the overall population at the level of EU-27, on January 1, 2010. In Romania, the young population represented 13.9% of the country population. The highest percentage of the population aged 15-24 is found in Lithuania (15.3%), Latvia (14.5%) and Slovakia (14.5%).

The difficulties met by the young on the labour market have significant consequences upon their standard of living, upon their families and upon the national or international communities to which they belong. The most important effects of the young's inactivity are: the risk of poverty, the incapacity to play an active role in the development of the society.

At the end of 2010, the number of the young unemployed was estimated around 5.33 million persons.

The highest values of the unemployment rate over 2010 were recorded in Spain (41.6%), Lithuania (35.1%), Latvia (34.5%), Estonia (32.9%) and in Slovakia (33.6%). Romania recorded an unemployment rate among the young of 22.1%.

The analysis of data provided by Eurostat indicate the fact that in most member states, the unemployment rate among young women was, in 2010, higher than the young men unemployment rate (figure 3). The unemployment rate among young women was smaller than the one among young men in Poland (by 3 %), in Italy (by 2.6%), in France (by 1.5%), in Cyprus (by 1.2%) and in Portugal (by 0.6%).

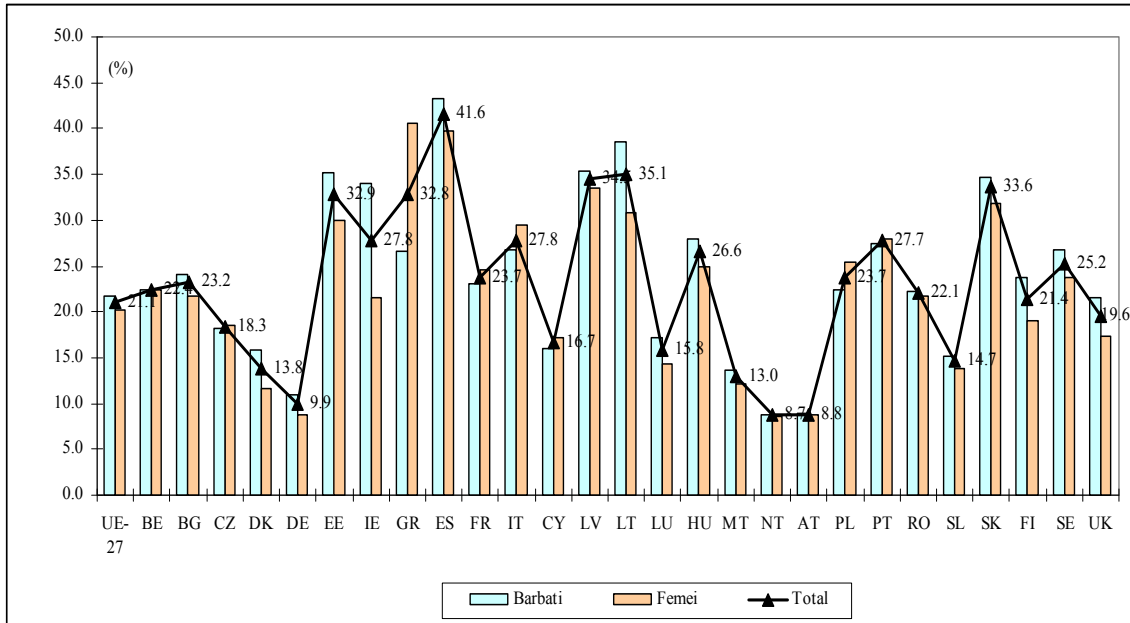


Figure no. 3. The youth unemployment rate in the EU-27 in 2010

Source: Eurostat (online data code: [une_rt_a])

Similar to the situation registered at world level, in the EU-27, the unemployment rate among the young is much higher than the one among the adults (figure 8).

If over 2009, in many member states the long-term youth unemployment rate recorded slight drops (figure 4), significant growths were recorded for this indicator in 2010 (except for Germany and Poland, where slight drops were recorded). This way, in Ireland the growth was of 16.1%, in Lithuania and Slovenia, 16.5% (figure 4).

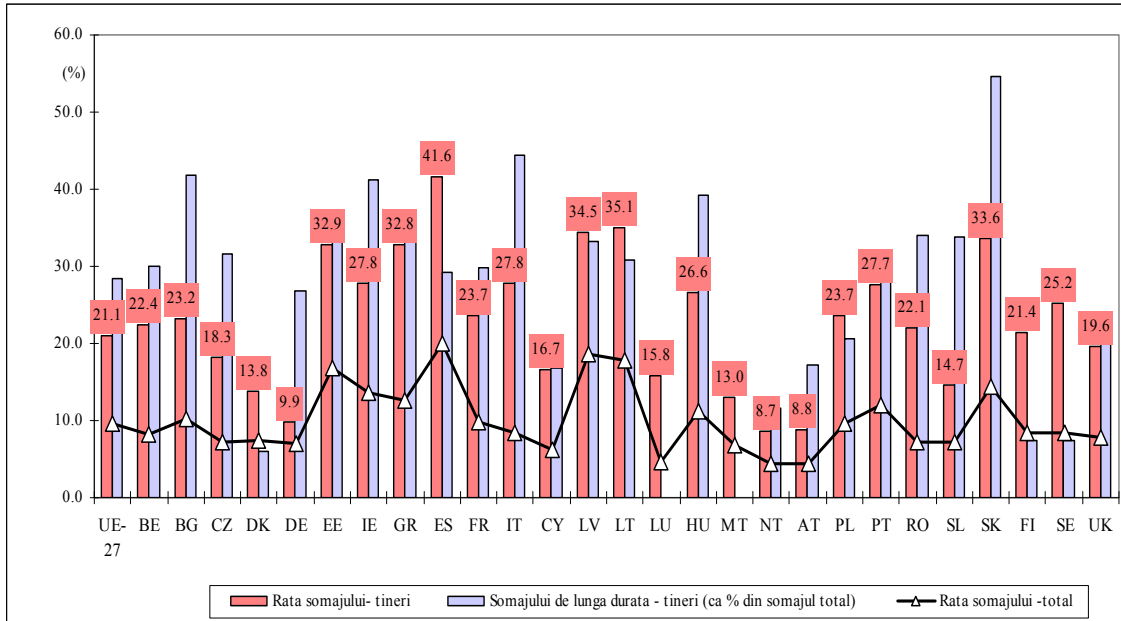


Figure no. 4. The unemployment rate in the EU-27 in 2010

Source: Eurostat (online data code: [lfsi_emp_a], [une_rt_a], [lfsa_upgal])

Germany, through the implementation of social and economic policies (for example: increasing the employees' number through part-time job offers, thus, a job was divided between two employees working with a reduced schedule, having the possibility to continue to look for a job and at the same time, to obtain a salary) managed to maintain the unemployment rate among the young at the smallest possible values for a long period of time.

The unemployment rate among the young also depends on their training level, thus, the analysis of the data collected over the fourth quarter of 2009 and over 2010 (figure 5) indicates that, for the year 2009 the higher unemployment was recorded among the young with pre-school, primary and secondary education (levels 0-2). The exceptions were Greece, where the unemployment rate among the young with highschool, postgraduate and foremen vocational school (levels 3 and 4) was by 5.6% higher than the one recorded for the youth with pre-school studies, primary and secondary education (levels 0-2), Romania and Cyprus where the difference between the unemployment rate among the youth with higher education and the ones with 0-2 or 3-4 level of education are significant.

The comparative analysis of the unemployment rate among the youth with different education levels highlights the fact that, both over 2009 and over 2011, in the great majority of the member states, the unemployment rate was the more reduced as the education level was higher. The exceptions were Greece, Romania, Cyprus and Portugal where the unemployment rate among the youth with higher education was greater than the one of those with secondary or primary education.

The analysis of the indicators' evolution that reveal the situation of the young on the European Union labour market leads to a series of conclusions, such as:

- the average duration for searching a job over 2008-2010 increased significantly, thus contributing even more to the discouragement of the young in looking for a job;
- the discrepancies between the employment opportunities of an educated youth and the ones of an uneducated youth are also increasing, thus, not only the job search duration for a young professional is smaller as compared with the one for an uneducated youth, but there is also a significant difference between the unemployment rates;

- The European Union is the region where unemployment is dependent on the youth's level of education, and the employment opportunities decrease proportionally with the reduction of the years of study;
- as a consequence of the high unemployment rate in the European Union, the purchasing power of the young also dropped, thus, not only the daily consumption recorded a significant decrease, but also the high-value acquisitions (ex.: real estate);
- a much higher number of youths that want to continue their studies after a certain recess period was recorded over 2010, the same being discouraged by the useless search of a job, but encouraged to obtain a diploma that could subsequently increase the employment opportunities.

Youth Unemployment in Romania

According to the data provided by the Romanian National Institute of Statistics, the unemployment rate in Romania, as regards the 15-19-years-olds and the 20-24-year-olds, reached in 2010 the level of 27%, respectively 21.2% (figure 5). The evolution of the main macro-economic indicators that reflect the situation of the young on the labour market in Romania over the transition period does not prove positive evolutions for the persons aged 15 – 24. Nevertheless, the few jobs existing in the country were fully exploited, which cannot be said in relation to many other European Union member states.

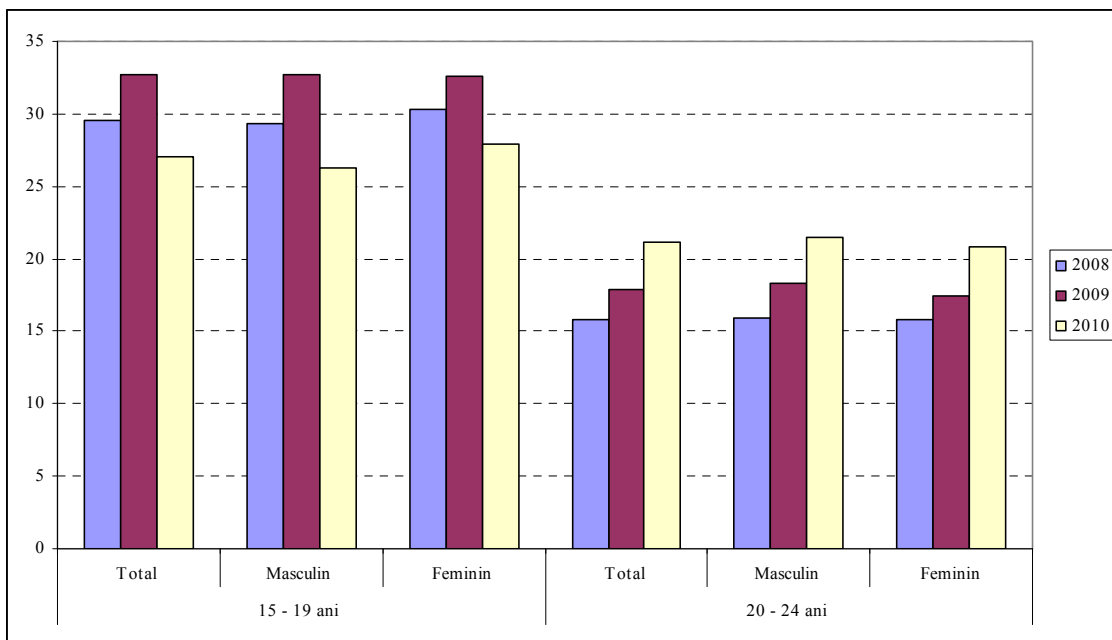


Figure no. 5. The ILO unemployment rate by age groups and gender

Source: TEMPO-Online – time series, Romanian National Institute of Statistics

One of the problems faced by Romania is the continuous population ageing which pressures the social security system, the pension fund as well as the educational system.

The highest unemployment values among the young Romanians are recorded in the case of the ones with highschool and vocational school studies.

The data provided by ANOFM (National Agency for Labour Force Occupancy) indicate the fact that the unemployment structure by age groups at the end of 2011 was the following: 81,911 unemployed persons were below 25 years old, 35,494 were unemployed between 25 and 29 years old, 108,536 unemployed between 30 and 39 years old; 119,909 unemployed aged between 40 and 49; 58,564 unemployed aged between 50 and 55; 56,599 unemployed aged over 55.

The analysis of the statistics on the unemployment evolution indicates that the structure of the number of unemployed recorded by age groups kept its evolution over 2008-2011, with periodical amplitudes, such structure remaining uninfluenced by the downturn period.

Most unemployed persons (276,900 persons) come from the rural environment. At territorial level, the number of the unemployed dropped in 8 counties, the drops being recorded in Dolj (by 1,011 persons), Iasi (by 375 persons), Maramures (by 348 persons), Neamt (by 201 persons). In Bucharest, the unemployed number dropped by 32 persons.

Growths in the number of the unemployed were registered in the following counties: Galati (822 persons), Alba (773 persons), Suceava (666 persons), Covasna (491 persons), Valcea (466 persons), Bistrita-Nasaud (360 persons) and Cluj (326 persons).

The counties with the highest percentage of non-indemnified unemployed persons out of the total number of the unemployed were, in 2011: Teleorman (77.20%), Buzau (74.72%), Dolj (74.13%), Galati (73.24), Braila (72.69%) and Covasna (72.24%).

As regards the long-term unemployment, at the end of December 2011, the ANOFM records showed: 15,682 youths below 25 years old were unemployed for over 6 months (accounting for 19.15% out of the total number of the unemployed below 25 years old) and 127,965 adults were unemployed for over 12 months (accounting for 33.75% out of the total number of unemployed adults), the long-term unemployment percentage out of the total unemployment being 31.16% .

One of the causes that lead to the growth of the unemployment rate among the young in Romania is the inconsistency between education – requirements of the labour force market. In other words, the educational system in Romania, on one hand, fails to train professionals according to the needs of the specializations requested on the market, and, on the other hand, it registers an overabundance of students in the specializations for which the market does not require labour force.

Compared to the European countries, Romania is at the bottom of the list as regards the part-time jobs offers, a compromise broadly used in the European Union in order to reduce the number of persons without a permanent job.

Apart from those, the International Monetary Fund imposed harsh conditions on Romania for the receipt of financial aids, thus, the dismissals and the salaries cuts were the main features of the Romanian labour market for the years 2010 and 2011, which also affected the young graduates.

Nevertheless, an online portal (www.talentgate.ro) was created in Romania aiming at strengthening the connection between the business sector and the young, thus, by applying online, by filling in the required forms and by taking intellectual tests drafted by the Talent Gate experts the young are selected for different jobs, according to the established criteria and according to the results of the tests. The programme's budget is ensured from the partnerships with the companies that recruit employees by means of this portal.

Likewise, Romania allocated over 61 million euros in 2010 for the reduction of unemployment in the country. The enterprises that will hire unemployed individuals may benefit from financial support amounting to 50% of the new employee's salary for a period of up to 12 months;

Good practices in the youth labour market field in the European Union

The current economic recession imposed and still imposes on the EU member states' governments to strongly interfere on the labour force market, especially in the field of youth occupancy.

On short term, the main objective is to ensure that the newly-comed, as well as the ones who already faced difficulties in finding a job maintain their connection with the labour market.

Many member states adopted a series of measures for the reduction of the unemployment rate among the young as well as for their introduction on the labour market.

The great majority of good practices within the European Union countries (directly or indirectly involving financial expenditures on behalf of the state) have an important role in

minimizing the youth unemployment rate, under the conditions of an adequate and detailed planning and they may change significantly their situation.

Here are some of the good practices in the youth labour market field in the European Union:

- In Ireland, in 2011, a programme was launched providing the creation of 2,000 new jobs for the young graduates of the university institutions in this country, and all the expenditures afferent to the salaries will be bore by the state by financing the employer by 100%, the term of the financing still being undetermined;
- the Polish companies that employ the young benefit from financing on behalf of the state depending on the conditions provided in the programme (ex.: the number of youths, the term of the employment etc.);
- at European Union level, at the beginning of 2010, a decision to support the business sector and to decrease unemployment was taken, similar to Poland's experience: each company hiring a person which is registered as unemployed for a period exceeding 6 months may request the payment in one instalment of 2,500 euros (one pay-off), in parallel with the exemption from the payment of the social contributions for a period of 24 months, or it may choose to be exempted from the payment of social contributions for a period of 36 months;
- Poland initiated the creation of a Professional Training school by specialties sought for on the labour market and which directly collaborates with the economic agents. The courses are held over a relatively short period (several months), and their purpose is to optimize the requirements of the economic agents; after finishing the courses, the graduates are directly inserted in the labour field in this school's partner companies;
- In Poland, courses were organized for a period of 12 months strictly specialized on certain fields of activity and for the persons who need an improvement of their knowledge, of their practical skills and who are already trained in the field;
- a broader financing of the Polish university specialties which enjoy a greater request of specialists on the labour market and, respectively, the moderate or inexistent financing of the specialties with the highest number of unemployed persons;
- at the end of 2010, the European Commission finalized the micro-credits programme addressed to the young. The programme budget totalizes 100 million euros and it is addressed to the unemployed youth who have difficulties in contracting a loan from commercial banks;
- in Estonia, Clubs for the young unemployed are organized with the purpose of intensifying the job search process through collective effort and through exchange of experience in the search process field;
- the active and direct participation of the young Estonians to the school curricula defining process by means of students' organizations at university level;
- the increase of the number of part-time employees in Germany, this way, a job is divided between two employees working with a reduced schedule, thus having the possibility to continue to look for a job and at the same time, to obtain a salary;
- the organization of professional orientation training courses in order to reduce the unemployment rate among the young by the governmental organizations in Greece;
- in 2010, in the Netherlands, over 16 million euros were invested in order to increase the youth scholarization rate and the extension of the duration of studies;
- the decrease of the social security contributions rate for the employees by the age of 26, in Sweden;
- the annual drafting and distribution of the guide: "Career Guide for Young People", which is sent to the postal address of each graduate in Sweden and which contains information regarding the employment opportunities, recommendations for increasing the employment chances (how to write the CV, the letter of intent), rights and obligations of persons on the labour market etc.;

- the employers of the young by the age of 29 and of women are partially exempted from the payment of social contributions for a period of 5 years in Turkey;

The current economic downturn may also be the occasion for settling certain difficulties faced by numerous youths over their transition period from school to the labour market, being at the beginning of their professional route. In particular, the governments should prevent the young from early dropping out of school, without holding a qualification and should remedy certain asymmetries existing on the labour market and disadvantaging the young in numerous European states. In many of the European states, among the obstacles met most often in integrating the youths into the labour market, we number: the high cost of the labour force, the big disbalances in relation to the legal provisions on the permanent and temporary labour contracts, the protection measures of the youth coming from disadvantaged environments, the discriminatory practices.

The results of numerous specialty studies performed at European level indicate the fact that the failure of the transition from school to labour occupancy could have long-term social stigmatization effects. Consequently, it is very important for the newly-come on the labour market to be helped, to consolidate their skills with the purpose of improving the opportunities they have in finding a job, when the economic recession will be over.

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