

## EFFECTS OF THE INCREASE OF YOUTH UNEMPLOYMENT ON THE LABOR MARKET

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### **Abstract:**

*The education reform has generated in the years 2011 and 2012 the most disastrous results in the history of transition from school (pre - university education) to active life (through continuation of studies or by insertion on the labor market), changing social parameters for this period. If from economic outlook, in 2011 the 28,000 young people of the 100,000 who failed to obtain the bachelor's degree produced a 74 million Ron loss for the economy (cost of paying the unemployment benefits), in terms of social equity it was initiated the relocation of educational and occupational hierarchies. The year 2012 grows exponentially the unemployment among young people and deepens the budget deficit affected by the increasing amounts for the social benefits.*

*In this context, the present article aims to analyze the effects of the rising unemployment on the labor market and to identify the best solutions for its balance in the period 2014 - 2020, complementary solutions for the ones proposed by members of the European Council, signers of the Declaration dated January 30<sup>th</sup> 2012, which aimed “to favorably strengthen growth and friendly increase employment”.*

**Key words:** labor market, failed bachelor's degree examinations, young unemployed, effects of educational reform, high costs of unemployment benefits

*JEL Classification:* J01, J38, J47

### **1. Aspects regarding labor market in the context of economic crisis and educational reform**

The endless transition of Romanian social politics potentiated by the economic macro - crisis has resulted in profound changes on the labor market in Romania, which have triggered the emergence of phenomena with direct and indirect effects (economic decline, restructuring business activities, the complex process of growth of labor demand and supply requirements) on employed population.

From a social perspective, after the second half of 2008, Romania registered a decrease in the number of employees as a result of redundancy (effect of bankruptcies, insolvencies and efficient expenditure of private companies and state institutions layoffs), an increase in the number of people unadapted to professional requirements at work (redundant employees in the public system not corresponding with the demands of public and private employers and the redundant people and vacationers in the private system being unable to capitalize the mercenary wage of the economic development period between 2006 and 2009), but also those who are required to pursue a new career in another profession (holding, unfortunately, redundant qualifications or some completely missing from the labor market), which means it quantitatively determined the increase of active unemployed population.

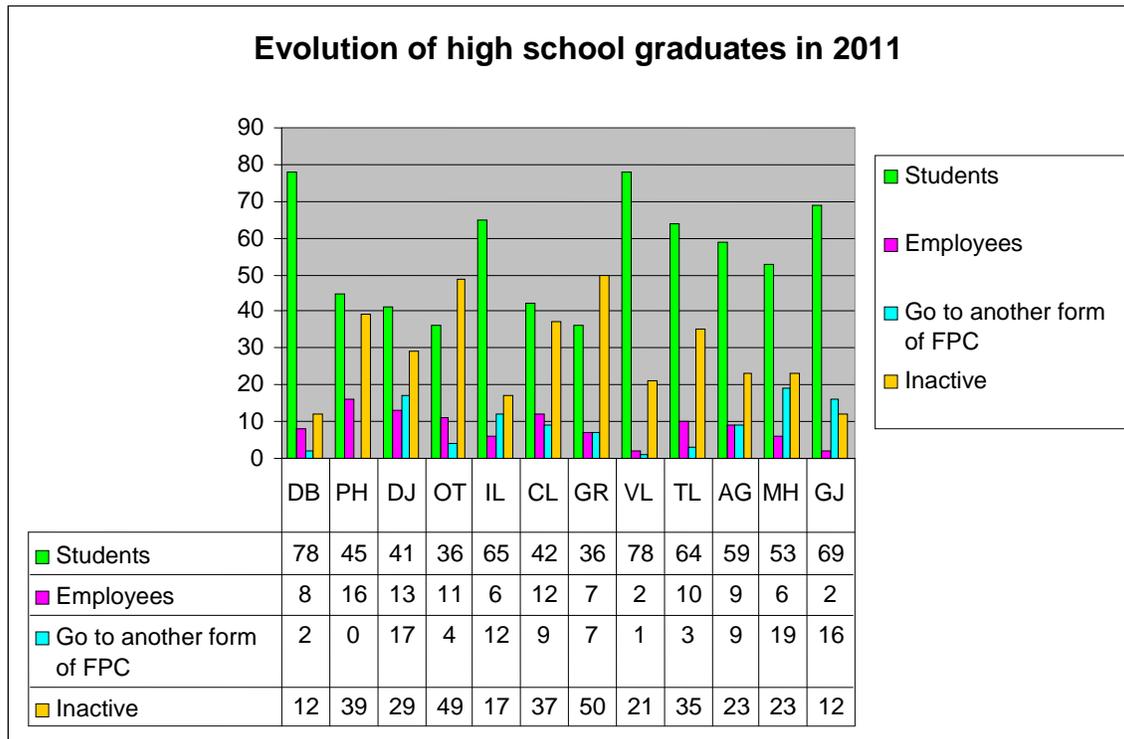
Of the total registered unemployed people, the young and those with ages over 45 years are a disadvantaged categories as they can very difficultly get a job, due to their lack of professional experience or low level of education in the case of young people, but also due to their depreciation of skills and qualifications, in the case of the second category, being put in the situation of not being able to cope with the offered jobs. (Niță, A. M., 2010, page 12)

This analysis agrees to the *dual labor market theory*, set up by the split of two analytical sectors of the economy and national labor market: one primary and one secondary, with different features and processes of labor and remunerations. According to this theory, the mobility between the primary and secondary sector is reduced; the employees in the second one being caught in a trap, the only solution for propulsion towards the primary sector being the investment in education through the increase of the level of studies. (Oxford Dictionary of Sociology, p. 514). Checking the theory is possible for employees with complete high school studies, who are able to increase their educational level with a superior one. Normally, in the globalized society in which we live and in which fundamental changes happen, in all areas, including model professions (Fukuyama, Fr., 2002, pp. 11 - 37), this theory would easily validate. However, in the completely changed situation where, less than half of the young high school graduates failed to graduate the bachelor's degree examination and we correlate this phenomenon with the liquidation of schools of arts and crafts, we realize that tens of thousands of young people are unqualified and unprepared for the insertion in the labor market.

Starting with 2011, after the modification of the Law of Education no. 1 / 2011 and the introduction of a new rigor regarding qualitative selection of high school graduates, it has changed one of the most sensitive segments of the working population categories, namely the youth. Changing the organization conditions of the bachelor's degree examination has emerged in the age group of 18 - 25 years, the young people being unprepared for professions with incomplete secondary studies that the labor market would demand, as a result of social and political decisions of liquidation of vocational, professional and technical education.

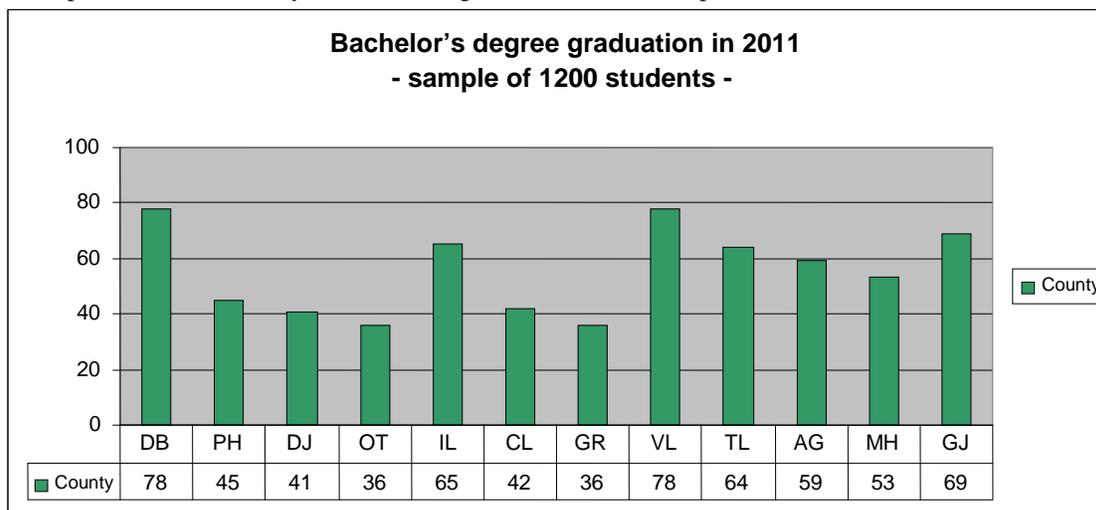
**2. Effects of educational failure of young people in the period 2011 - 2012 for the labor market**

This article analyzes the results of an in - house research carried out in the period 2010 - 2012 regarding the graduation rate and labor market insertion of high school graduates in 60 educational institutions (schools and school groups) in the areas of social and economic development South - West Oltenia and South - Walachia reported in national statistics concerning the graduation of the bachelor's degree examination in 2011 and the evolution of youth unemployment in 2012. In the research execution, it was used the opinion survey method, based on a administered questionnaire, applied to a sample of 1200 subjects. (Niță, A. M., 2012, p. 20)



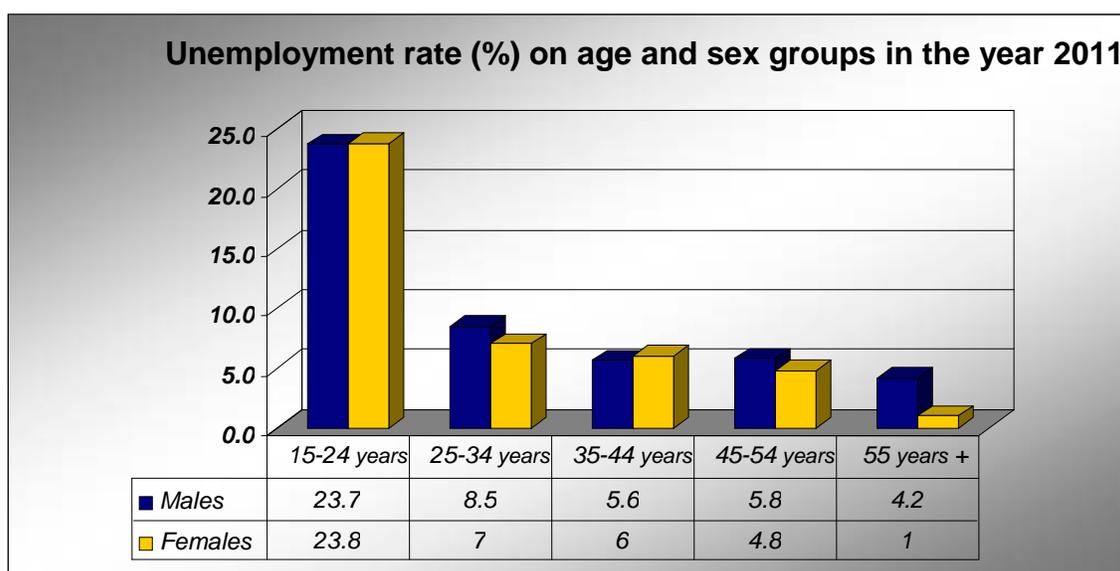
The measures taken following the results obtained in 2011, the introduction of two additional tests for each school year (predictive - at the beginning of the school year and evaluative - at the end of it), hours of additional training for the subjects examined as verifications for the bachelor's degree and considered as being sensitive, hours delivered between the two sessions of the bachelor's degree, in the summer of 2011, paying more attention to this fundamental examination, decisive for each graduate, were not relevant, the results of the 2012 summer session failing to exceed the 50 percent step.

In the case of our sample, of the 1200 monitored students, 666 of the students were able to graduate the bachelor's degree examination and continue their studies with a higher form of education, 68% opted for a state faculty, while 22% registered themselves at private faculties.



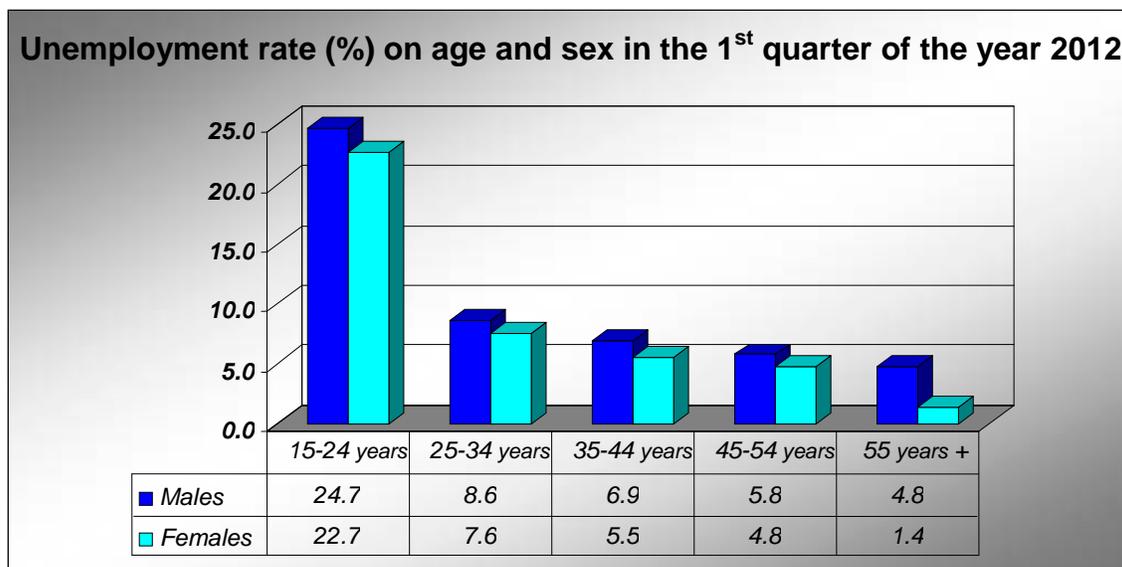
The failure registered at the bachelor's degree in the years 2011 and 2012 by high school studies graduates, undirected, educationally and socially unprepared, caused financial damage determined by the rise of costs with the unemployment benefits and increased the unemployment percentage nationwide, negative element for Romania's negotiations with the International Monetary Fund and the country rating.

According to the *Statistical research on labor in households (AMIGO)*, carried out by the National Institute of Statistics, the unemployment rate in 2011 was of 7.4 %, on the rise compared to the year 2010 (7.3 %), the deviation between the two unemployment rates being of 1.1 percentage points (7.9 % for men compared to 6.8 % for women), for the *gender variable*. One can easily see that the unemployment rate with the highest level (23.7 %) is found among young people (15 - 24 years).



Source: [http://www.insse.ro/cms/files/statistici/comunicate/com\\_anuale/ocup-somaj/somaj\\_2011r.pdf](http://www.insse.ro/cms/files/statistici/comunicate/com_anuale/ocup-somaj/somaj_2011r.pdf)

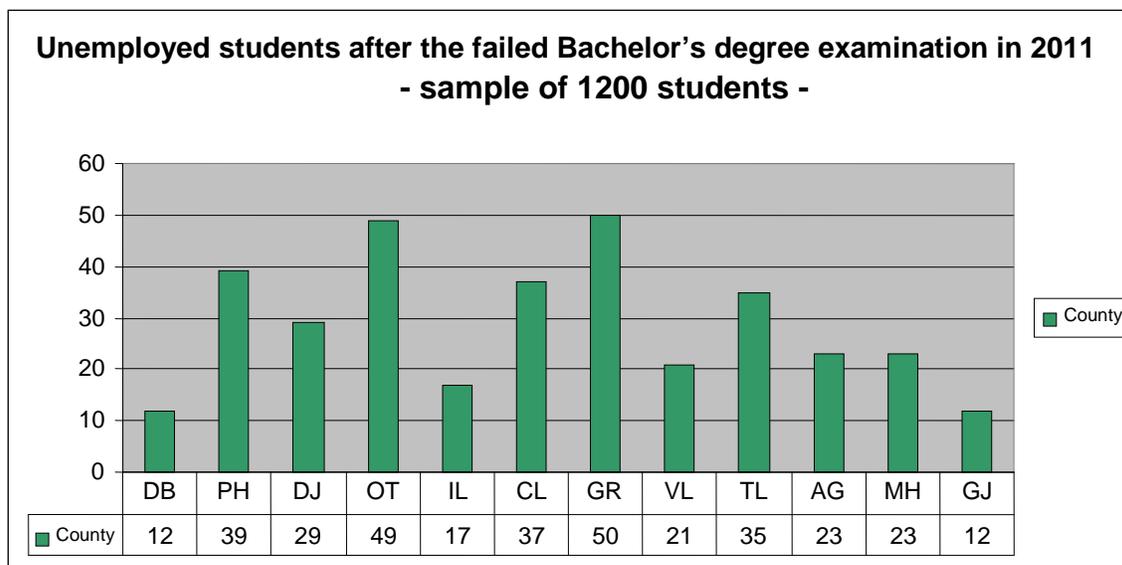
Also in the year 2012 the deviation between the two rates of unemployment was higher than in 2011, 1.8 percentage points (8.4 % for men and 6.6 % for women), the unemployment rate being again maintained at the highest level (23.9 %) among young people (15 - 24 years), the results being influenced by a maintained lack of educational and professional training and the inadequacy of their qualifications to labor market demands.



Source: [http://www.insse.ro/cms/files%5Cstatistici%5Ccomunicate%5Csomaj%5Csomaj\\_Ir\\_12.pdf](http://www.insse.ro/cms/files%5Cstatistici%5Ccomunicate%5Csomaj%5Csomaj_Ir_12.pdf)

Increased unemployment among low and medium education graduates, for whom the rate recorded was of 8.1 % and 7.3 %, is much higher than the rate registered for the unemployed with higher education (5.1 %), taking into account school dropout, migration, quitting secondary and further education and last but not least the increase of rigors referring to the bachelor's degree organization and the level of difficulty regarding its tests.

Approximately 29 % of students comprised in our sample that failed to graduate the bachelor's degree became unemployed, only 8.4 % of them getting a job.



Budgetary costs arising from the allocation of unemployment benefits for graduates are very high and inadequate to the national and global social and economic circumstance. The social security that the young people receive, according to Law 76 / 2002 for a period of 6 months, consists of a fixed amount,

monthly, whose amount represents 50 % from the value of the reference social indicator, in force, which currently is 500 lei (negatively modified with 15 % as a result of commitments made by Romania to the IMF). This means that, retrospectively to the 74 million Ron given to the unemployed young people in 2011, the amount will be similarly found in similar calculations predicted and distributed also for the interval 2012 - 2013.

In these conditions, in which the social and economic constraints are unfavorable to support education and the social benefits system, a national strategy to pursue economic growth must be able to offer socially, economically and institutionally sustainable mechanisms to neutralize the effects of the recession and its impact (Tumbăr, C., Budică, I., Barbu, C.M., 2007, p. 27), including primarily measures to counteract the increase of unemployment among young people.

### 3. Conclusions

In 2010, in Brussels, the European Council developed a new strategy for employment and economic growth of EU - “*Europe 2020: a new strategy for employment and economic growth*”. The Council agreed on the main elements, including key objectives that will guide the implementation and arrangements for monitoring and improving the strategy. It was agreed as main objective that to achieve an employment rate of 75 % for the women and men with ages between 20 and 64 years, including greater participation of young people, older and less skilled workers and a better integration of legal migrants. (Niță, A. M., 2011, p. 23)

Thus, if the members of the European Council, signers of the Declaration dated January 30<sup>th</sup> 2012, which aimed „to favorably consolidate growth and friendly increase employment” proposed that each member state pursued to apply a set of measures aiming at reducing the tax charge and segmenting the labor market to reduce youth unemployment, we believe that Romania can add to the solutions of the European Council the following:

- to accelerate efforts to promote the first contact with professional life among young people and their participation on the labor market
- to substantially increase the number of apprenticeships and trainings to ensure the fact that they represent real opportunities for young people, in cooperation with social partners and, as far as possible, integrated into curricula
- to renew efforts to bring back into a training system of those who left school early
- to fully exploit the mobility portal for employment EURES in order to facilitate the border employment of young people; to continue the opening of protected sectors by removing unjustified restrictions regarding professional services and the retail sales sector *for Romania*
- to revitalize professional and technical education
- to compulsorily introduce in secondary school hours of vocational guidance
- to build partnerships between school and the social and economic environment from the secondary period
- to present occupational typologies and reallocate their authority
- to build the school - family relationship in primary and secondary school and school - civil society / business environment one in the high school period
- to revitalize social values
- „competitive mobility” (which involves selection for differentiated routes as later as possible to offer young people the opportunity to exploit their skills, thus blurring the influence of social origin) (Turner, R.H.,1960, pp. 855-867), that can also become operational in the case of current educational policies.

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