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## Is Youth Guarantee a Solution for Increasing Employment Among Young Romanians?

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*With an employment rate among young people (under 25 years) of 23,3% Romania has to find a solution for solving this problem in short terms , otherwise we can face a constant migration wave of young people who can't find a job in our country. This article presents the current status on labor market in Romania and in the same time tries to raise the awareness why do we need Youth Guarantees in our country , how important are the policy developed at European Union level to eradicate the unemployment at young ages?. We focused on the general background of this type of policies in European Union since its creations and finishing with the importance of this Youth Guarantee scheme, the way it can be implemented , costs and benefits , successful stories and an interpretation of the forecast of Romanian youth labor force until 2030 and of course some final conclusions and recommendations.*

**Keywords:** youth guarantee, employment, jobs, economic growth, young people

**JEL Classification:** J21, J24, J 62, J68

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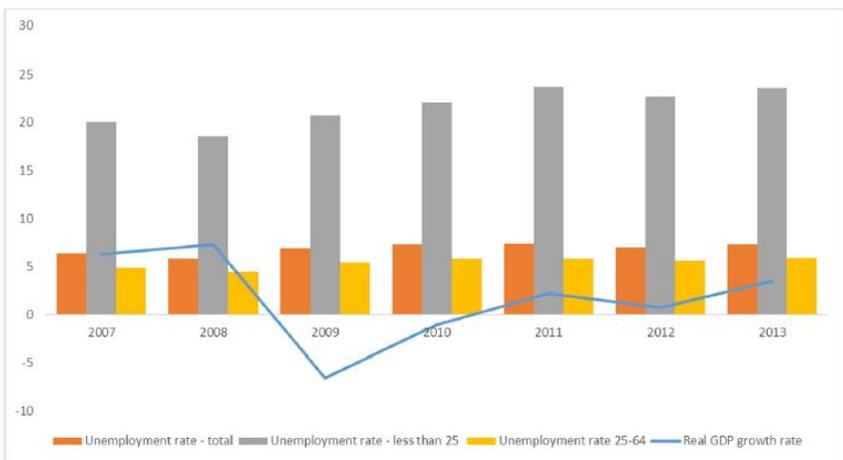
## Youth employment in Romania - Introduction and literature review

According to World Bank estimations, the working age populations in Romania will drop by 30% in 2050 compared to the level recorded in 2010, three times faster than the average for Western Europe with negative implications on long-term growth and financial sustainability of the country. The Southeast region is the most affected, with youth unemployment of 31.3% registered in 2011. There will be a permanent link between no employment and poverty, A high level of poverty conducts to an 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), At European level , statistics show that Romania occupies second place in the poverty ranking countries after Bulgaria. The situation in Romania in terms of youth unemployment is more vulnerable (Boajă, 2011) , 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 a work market orientated. To solve this problem of unemployment we should be aware that this phenomenon 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. The policies conducted in order to have a correlation between education and employment are extremely important, 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)

Looking at youth unemployment, Choudhry et al. (Choudhry et al., 2010) show that financial crisis have impact on the youth unemployment rate that goes beyond the impact resulting from GDP changes and the effect on the youth unemployment rate is greater than the effect on overall unemployment. Regarding the timeframe of the effects of the crises on youth unemployment, their results suggests that financial crises affect youth unemployment five years after the crises, and the most adverse effects are found in the second and the third year. Starting from this hypothesis we can

accept that one explanation for youth unemployment can be found in the financial crisis.

The labor market institutional system in Romania influences labor demand, labor supply, labor market equilibrium and social protection. The worst years for Romanian economy (2009 and 2010) in terms of Real GDP growth rate were followed by a peak in unemployment (for all age groups) in 2011 and the labor market it is still far from 2008 performance.



**Figure 1:** Evidence from evolution of Romanian labor market

Source : Manastirean S(2014), Youth Unemployment in Romania: Post-Crisis Challenges, Procedia Economics and Finance 16(2014), pages 613-620

Taking a look at that date offered by European Commission (2013) we can observe that 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. 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.

It is very easy to notice as well that young people from Romania faces a rigid labor market which does not allows them many possibilities to have a job and continue the study or to other activities. Without a flexible labor market we cannot speak about offering similar access and working conditions as other EU countries do. Statistics provided by Eurostat showed that there are only approximately 94.5 thousand youths employed in Romania with ages between 15 and 24 years of age worked part-time in the last quarter of 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.

The data provided by the National Institute of Statistics according to year 2014 showed out that the rate of employment (15-64 years old people) has risen with 0,9 % , with higher values for men's ( 68,7% ) than for women (53,3%). The employment rate of young people (15-24 years) was 22,5%., smaller than previous years but still having a high value. 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. After several years of decline at European level, the weight was stabilized 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. Because the traditional indicators regarding youths' participation on the labor 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 labor 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.

Having as a background a youths' labor market in a continuing decline for the last years, the aid and interventions measures decided at European level can be the only chance for a more productive, functional and low level of unemployment young people labor market in Romania. Through the measures which should be implemented we see useful: creating jobs for especially for youths, supporting the development of sectors where the number of graduated young people is high, correlating the educational programme (curriculum) with the real need of qualification in the economy. Implementing a program such as Youth Guarantee can bring lower levels of unemployment among young people and on long term it can be a contributor to the increase of GDP.

## **Youth Guarantee - General background and conceptual delimitations**

In order to make a description of the evolution of programs regarding rising of youth employment at European Union level we should look for the beginning of each initiative who has been taken.

First of all we should start our review with Treaty on European Union signed in Maastricht in 1992 which has included a new area regarding education and youth which should focus on: the development of youth exchanges and the implementation of specific programs by the year 2001. Starting 2001, the European Commission released the so called White Paper "A new impetus for European youth" containing the results of wide consultations within European Union and a set of proposal related to a new framework for European cooperation Youth, based on a dual approach: the open method of coordination youth and considering greater size – youthness.

In the next years, the EU Council has adopted common objectives on participation and informing young people about the resolution which

should be implemented in the future on common objectives of strengthening the knowledge and understanding of youth and voluntary youth.

Year 2005 brought the European Pact for Youth, as a part of Lisbon Strategy. The main goal was to bring youth policy at a level previously not found in the European Union.

It was introduced a number of policy measures designed to address three major areas:

- employment, integration and social advancement;
- education, training and mobility;
- reconciliation of family and professional life.

Three years after we can see the Renewed Social Agenda: Opportunities, Access and Solidarity which was targeting children and young people as well as a priority. It is very well known that each society should value a lot child and youth people because they represent the future labor force of the each country and not at last it is impossible to have economic growth and well fare without a strong and a high productivity of the labor market. According to this the Commission has identified some domains which require intervention such as: high youth unemployment, too many cases of desertion early school, relative job insecurity and inequality in wages applied at young people.

With the occasion of the eighth Conference of Ministers of Youth hold in Kiev in October was adopted a declaration called "The Future Council of Europe Youth Policy: Agenda 2020 " which put a lot of pressure on youth ministers to be able to ensure full integration of young people in society and aiming to ensure access of youth to quality training and education, decent conditions for working and living.

On 27 November 2009 Youth Council of Ministers adopted a Resolution on a renewed framework for European cooperation in the youth field (2010-2018) which has two general objectives: more and equal opportunities for all young people in education and employment, and active citizenship, social inclusion and solidarity among all young people.

## What is Youth Guarantee and which are the benefits that come from it?

This new approach which regards youth unemployment will ensure that **all young people under 25** – whether registered with employment services or not – get a good-quality, concrete offer within 4 months of them leaving formal education or becoming unemployed. This is the last initiative of the European Commission and similar programs were conducted in other EU countries. The good-quality offer should be for a **job, apprenticeship, traineeship**, or continued **education** and be adapted to each individual need and situation. At Romanian level, some people feel constrained about this 25 years old target referring to the people who graduated Medicine school Architecture or other 6 years university curriculum.

In order that such a scheme works it is required a strong cooperation between all the key factors such as: employment services, public authorities, education & training institutions, employers, trade unions, providers of career guidance. Each country was helped by European Commission to develop its national Youth Guarantee Implementation Plan but in the same time the Commission runs a pilot program in 4 Member States (Latvia, Finland, Portugal and Romania). During the pilot phase all the concepts, products and visual points were put at disposal at national, regional and local authorities who wished to use it.

Member States have progressed with the implementation of this type of guarantee, but in the same time further efforts are required regarding the public employment services, active labor market policies tailored to each country, vocational education and training and not at last to offer the perfect environment for apprenticeships at companies as a chance to make an easy transition from school to a new job.

Speaking about successful experience in the Member State which have adopted this kind of policy we should emphasize the advantages which can be brought to our country because in other cases there were registered the following initiative with positive results:

- **in the case of Finland** it was created a comprehensive Youth Guarantee scheme consisting in a personalized plan for young

people which conducted to a 83,5% of young job seekers received a successful offer within 3 months of registering as unemployed.

- in other states (France , Denmark or Czech Republic) were created programs for the development of career management skills and for vocational orientation at schools
- In Austria was created in 2008 a "Training Guarantee" for young people up to the age of 18 giving young people the opportunity to learn an apprenticeship trade at a supra-company training institution financed by the PES.
- In Sweden, the approach is to stimulate the young unemployed to be active in job-seeking. With a 3 months support at the beginning followed up by active matching process which may be an apprenticeship or further education.

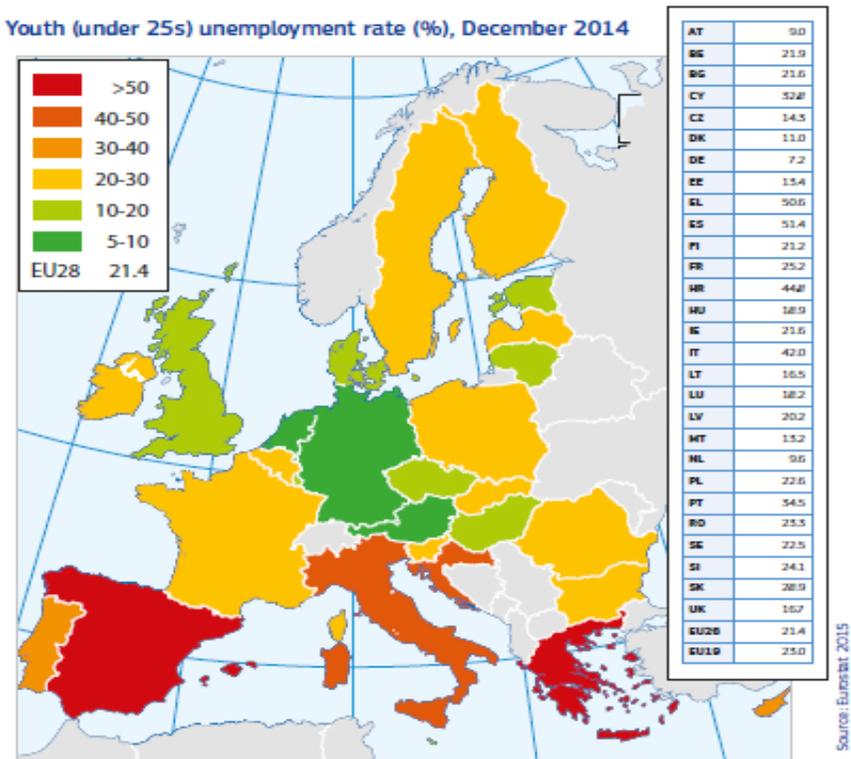
## **Which are the costs of having Youth Guarantee at European Union level?**

According to the ILO report (2012) the total **estimated cost** of establishing Youth Guarantee schemes in the Euro zone is **€21bn a year**, or 0.22% of GDP. Their analysis is based on the Swedish model of "special job-search support", estimated to have an annual cost of €6,000 per unemployed young person plus administrative costs (in terms of resources needed for Public Employment Services to serve the programme) at €600 per participant.

According to Euro found report (2012) based on youth unemployment the costs of this guarantee scheme are much higher. Young people not in employment, education or training are estimated to cost the EU **€153bn** (1.21% of GDP) a year – in benefits and foregone earnings and taxes. But we should take into account also that, not all the measures are expensive, for example greater cooperation between stakeholders doesn't require large budgets.

## **Why we should encourage the implementation of Youth Guarantee in Romania**

It is estimated that around 5 million young people (under 25) were unemployed in the EU-28 area in December 2014, of whom over 3.2 million were in the euro area. Making a calculation based on the population of the EU turns out that we have an unemployment rate of 21.4%. More than one in five young Europeans on the labor market cannot find a job even more in Greece and Spain it is one in two. Speaking of gap we can noticed that between the countries with the highest and the lowest jobless rates for young people the difference is extremely high, more than 44 % In Romania, 27 youth guarantee centers (currently supported by the European Social Fund) were created. These centers aim at identifying young NEETs and offering them integrated packages of personalized services.

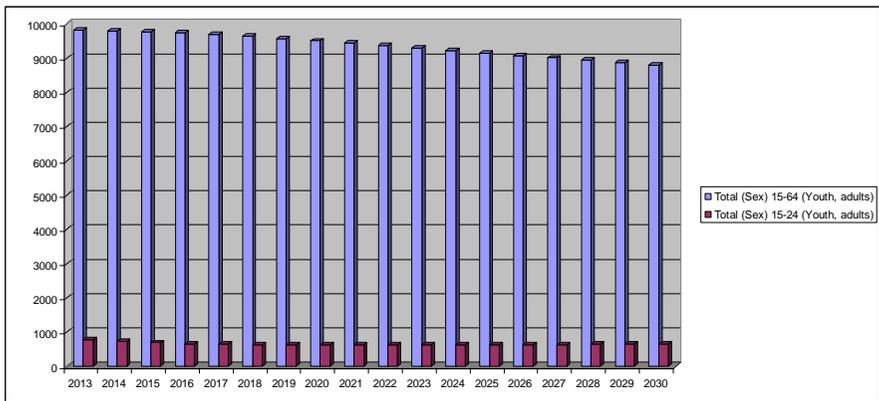


**Figure 2:** Youth unemployment rate in Europe

Source: <http://ec.europa.eu/eurostat/eurostat.org>

The amount of money allocated for the Youth Guarantee is 105.99 million euros (in current prices) and the regions where it is eligible are: Centre, Sud-Muntenia and Sud-Est. The highest unemployment rate - over 25% in the Centre Region, South-East and South-Muntenia; 182 094 young people accessed until now by NEA services, of which 71 893 young people (almost 40%) were employed with the implementation of the program "Youth Guarantee". 163,227 young people benefited from counseling and guidance; 4,847 employers were subsidized to provide jobs for young graduates. 6,411 micro enterprises were established through grants to young entrepreneurs, thus creating 3205 new jobs; 177 young entrepreneurs have established a start-up and created 440 new jobs. All Member States have progressed in the implementation of Youth Guarantees.

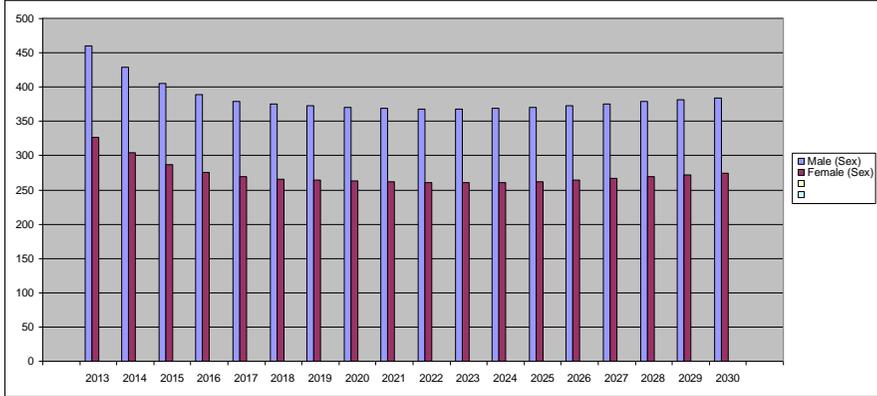
According to the database and forecasting of the International Labor Organization, the labor force which comprises all persons of working age who furnish the supply of labor for the production of goods and services during a specified time-reference period (sum of all persons of working age who are employed and those who are unemployed) has declined.



**Figure 3:** Forecast of the labor force by age criteria for the period 2013-2030  
Source: www.ilo.org

If we look at the distribution between men and women among young people (figure nr. 4). We can observe a decrease of minimum 18% between young men and women between the beginning and the end of the period interval.

We can notice as well that this issue affects not only the labor force but also the increase of natality in Romania.



**Figure 4:** Forecast of the young labor force by sex criteria for the period 2013-2030

Source: [www.ilo.org](http://www.ilo.org)

Youth Guarantee is a new initiative which can combat youth unemployment, ensuring that any young person under 25 - whether registered or not unemployed - receives an offer of quality, within 4 months at graduation or job loss. Job offer must consist of a contract of employment, apprenticeship or internship or a course of training and adapted to the needs and situation of each. The Youth Guarantee is no substitute for the use of macroeconomic instruments, or for the pursuit of structural reforms, but it can help to make the economic recovery job-rich and it makes a systemic difference in improving school-to-work transitions.

## Conclusions

There are plenty of benefits brought by implementing the Youth Guarantees at macro and micro economical levels, between all of them we should mention the ones we consider to be the most important:

- Overall, in Romania Youth Guarantee can improve the quality and quantity of apprenticeships, vocational education and training opportunities. Member States must ensure that they give young people the skills that employers are looking for.

- A Youth Guarantee must be considered an investment for Member States. In fact, the cost of doing nothing has been shown to be very important.
- Youth Guarantee is considered as a new major reform for youth employment and the most important in the last years.
- human resource development difficulties integrating into the labor market or return to sustainable;
- retention in employment of young people by increasing their capacity for employment as a result of training / retraining / expertise / training conducted under the auspices of the initiative;
- Promoting entrepreneurship, initiative and the desire personal and professional development and promoting a positive attitude to continuing training.

Besides these measures in order to eradicate and decrease youth unemployment we should take in consideration the following steps:

- First step that should be done and should have a large place in each country policy's agenda refers to the transition from school to labor market. We should not forget the important key role played by school and other training bodies in preventing drop-out by providing targeted support to young people at risk of dropping out, but also offering guidance or access to relevant services to all students.
- Civil society organizations and NGO's can also play an important role in bridging the gap with young people and society.
- Another step requires the mobilization of numerous actors and resources towards a common goal, establishing partnership and giving an important role to the Public Employment Service (PES) and establishment of stable and trustful relationships with social partners.
- An important role is kept by SME's that have been the main job creators over the past decade and are key to open job opportunities for young people who would not necessarily be the first choice in a normal process of recruitment.
- The integration of long term unemployed must be fostered, unemployment benefits schemes should be better linked to activation and support measures and further action is needed to increase the integration of long term unemployed into the labor market.
- On the fiscal side, we should not forget that the tax and benefits systems should support job creation, so it is very easy to notice that

some reforms of tax systems have been initiated so as to reduce disincentives to take on jobs and –at the same time- decrease labor taxation to allow companies (re)hire young and long-term unemployed.

- Regarding women we should pay attention to the access to affordable and quality childcare services and out-of school care, flexible working arrangements and adequate leave policies and supportive long-term care services which continue to play a crucial role in sustaining female employment and helping men and women to reconcile work and family life.

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