

PARTICULARITIES AND ISSUES OF YOUTHS' LABOUR MARKET

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Abstract

In the current conjecture, increasing the employment degree of labour force and diminishing the unemployment phenomena are the priority objectives of the economic policy in all countries. They can be achieved by means of balancing the demand and supply for labour on the labour market. Thus, the issue of youths employment has turned at the beginning of the 21st century increasingly more present on the national and global agendas for development.

The paper presents a brief analysis of labour force demand and supply among youths in Romania and other EU member-states.

Key words: youths, youths labour force demand, unemployment, employment

JEL Classification: E24, J13, J23, J82

Introduction

During the last years, the world economy entered into a slight economic growth increase that remains under the sign of uncertainty and risks. The global economic growth is still much behind the values recorded in the pre-crisis period and much too slow for solving the issues generated on labour market. These trends have intensified the vulnerabilities existing on labour market, making much harder the efforts to bring unemployment and underemployment of labour force at levels at least similar to those before the crisis in the majority of countries.

The employed population on the European labour market is to its majority adult, the representativeness of youths being of fewer than 35% out of total employed population in the period 2007-2015. Thus, the number of youths employed on the labour market diminished by approximately 7.5 millions, which means that the employment rate decreased in this period by 4.2 pp. An important factor for the diminishment of the employment rate among youths with ages between 15 and 29 years is represented by the recent economic crisis.

In the year 2015, unemployment among youths was very high (20.4%). In this context, attaining the objective of the Europe 2020 Strategy regarding the employment of labour force (75% for the population with ages between 20 and 64 years) requires the adoption/improvement of measures for increasing the insertion degree of youths on labour market.

The issue of youths' inclusion on labour market was always present on the political agendas, but only in the last two decades, it reached particular significance. For the period 2010-2018 the European directions of action in the field of youth were reunited in the strategic paper "EU Strategy for Youth – Investing and Empowering – A renewed open method of coordination to address youth challenges and opportunities", which aims to the policies related to youths from Europe regarding education, labour force employment, social inclusion, civic involvement, entrepreneurship, etc.

The unemployment rate among youths is twice as high as compared with the rate for total active population. The decrease in the numbers of permanent jobs during the crisis affected disproportionately the youths, as they are overrepresented in the category of temporary contracts. Even though temporary contracts often represent the first step towards more stable employment forms, these are also identified as potential generators of segmented labour force markets, or of cyclic unemployment as the youths

benefit in these forms of employment of less training on the job, lower remuneration levels, and less favourable perspectives with respect to employment and long-term career. At the same time, the difficulties on the labour market, existing also before the economic recession, intensified during the period of crisis and post-crisis, and had a negative impact on youths with ages between 25 and 29 years with higher education who have more difficulties in finding a job adequate to their training.

Contents of young labour force demand and supply

The challenge of labour force employment with respect to youths has its own dimensions and is present in countries all over the world, irrespective of their socio-economic development stage. The high number of youths entering on the labour force markets each year, the lack of employment opportunities and, in particular, the poor economies and the post-conflict countries, along with the low quality of education and vocational training without adequate correlations with the labour market are but few of the factors generating pressures on the youths' labour market.

At world level are currently about 1.2 billion youths (with ages between 15 and 24 years), on an increase of over 17 pp against the year 1995. They represent 24.7% out of the working age population of the world and about 87% from them live in developing economies (UN statistics, 2014)⁷⁷.

In Romania, in Q4 2015, the resident young population was of 3615.507 thousand individuals, from whom 2210.016 thousand individuals had ages between 15 and 24 years, and 1405,491 thousand individuals ages between 25 and 29 years. The population structure on each age segment is synthetically presented in Table 1.

Table no. 1 Young population structure from Romania, in Q4 2015
(Thousand persons)

Young resident population					
15-24 years 2210.016			25-29 years 1405.491		
Active population 648.860		Inactive population 1512.193	Active population 1125.029		Inactive population 282.018
Employed population 507.385	Unemployed 141.475		Employed population 1011.112	Unemployed 113,908	

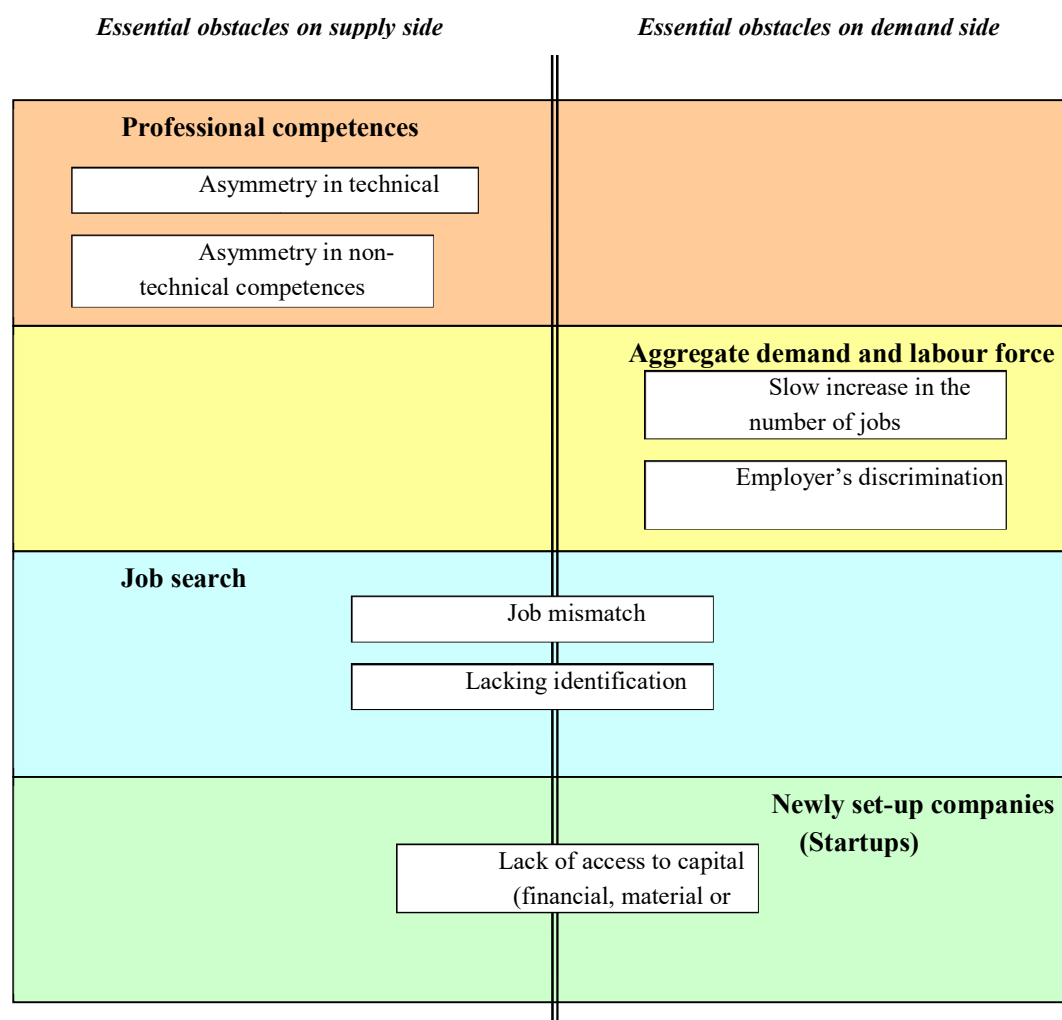
Data source: TEMPO-online databank of the National Institute of Statistics, author's own calculations

The low insertion of youths on the labour market is due to some factors, from among which we mention the following: i) the transition from school to labour is more difficult in countries where the dominant transition model is "study first and then job" (OECD, 2010)⁷⁸, as opposed to those where study and activity on labour market are combined (for instance, working stages in various companies, apprenticeships on the job, internships, seasonal activities or job fractions, etc.) in Austria, Denmark, Germany and the Netherlands. ii) specific obstacles on entry, oftentimes resulting from the lack of experience; iii) the higher risk of losing the job during economic decline; iv) "the dependency path": entering unemployment at a younger age, increases the probability of subsequent unemployment.

Synthetically the main challenges of youths insertion on the labour market are presented in Figure 1.

⁷⁷ *The World Population Situation in 2014. A Concise Report*, Department of Economic and Social Affairs Population Division ST/ESA/SER.A/354, United Nations, 2014

⁷⁸ *Off to a good start? Jobs for youth*, (2010), Paris, OECD, www.oecd.org

Figure 1 Key-challenges on the labour force market for youths

Source: Hughes D., Borbély-Pecze T.B., (2012): *Youth Unemployment: Crisis in Our Midst. The role of lifelong guidance policies in addressing labour supply and demand*. The European Lifelong Guidance Policy Network (ELGPN), Printed by Kariteam, Finland, p.5

Demand on youths' labour market

Solving the issue of unemployment and underemployment among youths requires both increasing the employment of paid labour force in the formal economy, and the improvement of labour force employment quality in the informal economy (for instance, productivity, labour conditions, etc.).

Job creation is dependent also on economic growth, which in its turn is influenced by investments, but also by the international context. A stable macroeconomic environment which stimulates investments both private and public leads to economic growth and, thus, the conditions are given for creating new formal jobs for all age segments of the working age population, implicitly for youths.

On medium- and long-term, the sectoral policies can promote the creation of jobs, but only on the condition that these are well conceived and targeted to sectors with high growth potential regarding labour force employment (for instance, in sectors like tourism, catering, information and communication technology, basic and social services, health, agriculture, environmental management, but also in developing sectors).

Moreover, labour force employment among youths can be directly influenced by the public sector by means of public expenditures. Thus, investments in infrastructure or constructions can create employment opportunities in sectors dominated by youths.

However, the private sector is the main engine of economic growth and job creation. Entrepreneurship is the driving force for initiating business ideas, mobilising human, financial, and material resources for setting up and expanding enterprises and job generation.

The economic potential of youths can be put to good use by means of entrepreneurial activities. Supporting youths by means of entrepreneurship may be maximised based on programmes and strategies that would diminish the barriers in business initiatives. Young entrepreneurs are faced with particular challenges due to their lacking experience, to difficulties in accessing business networks, and information sources. Additionally, youths have less knowledge, and experience regarding regulations in the field of business, the corresponding legal and institutional framework, all these leading to their discouragement in beginning a career in business and at the same time increases the risk of failure in business. The empirical evidence shows that educating youths in the field of entrepreneurship and in fostering their confidence in assuming calculated risks leads to an increased probability of entrepreneurship being adopted as a career option.

Young entrepreneur women are faced with additional hindrances either because of cultural specific traditions, or because of their role in family and society, all these proving that they are more susceptible to be found in the informal economy and less probable to be entrepreneurs employing others.

The higher volatility and the lack of working experience of youths are strong reasons leading to their modest employment by entrepreneurs. Wage subventions and/or tax diminishment on wages for enterprises employing young workers without experience seem to be the best options for counteracting these concerns of employers and, as result, lead to an increase in the demand for young workers.

According to Eurostat statistics, in EU-28, in 2015 there were 2.723 million individuals between 15 and 29 years of age who developed independent activities. This means that only 6.5% from the young population of Europe opted for the activity of self-employed. The Eurostat data reveal very significant differences between Member-States regarding the weight of youths who opted for this type of activity. Thus, in the year 2015, in countries like Greece and Italy, 16.1% and respectively 15.7% from the youths opted for this type of activity, followed by Czech R., Poland, Romania and Slovakia (with values between 8.7% and 11.0%). In Austria, Denmark, Germany, and Luxembourg, the weight of the youths who opted to work as self-employed is under 3.5% from total.

The correlation coefficient between the NEET rate and the weight of youths aged 15 to 29 years of age, biased towards an activity as self-employed (59.67% in 2015), indicates that the labour force markets where high numbers of youths are not employed, nor in education, or vocational training (Italy, Greece, Romania, Slovakia and Spain) are also most susceptible to have high numbers of youths opting for activities as self-employed⁷⁹. In turn, in member-states with slow economic growth, labour market insertion is more problematic, and activities as self-employed seem more attractive to several youths who attempt to find their own path on the labour market.

The linear correlation as well as the Spearman and Kendall correlation coefficients (45%, respectively 36%) indicate that the link between the NEET rate and the weight of those opting for activities as self-employed is a more complex analysis that must be performed in the specific context for each country. Young entrepreneurs can decide to set up an enterprise based on various reasons, from which we mention the wish for 'independence' and the one of 'working for themselves'⁸⁰. Surveys performed by various international bodies highlight that a small percentage of young entrepreneurs are 'pushed' into entrepreneurship because they cannot find another job, respectively option ('necessity entrepreneurs'). Researches performed by Global Entrepreneurship Monitor (GEM) and by Youth Business International (YBI) (2013) indicate that at EU-28 level only 17% from the young entrepreneurs

⁷⁹ *Policy brief on youth entrepreneurship: Entrepreneurial activities in Europe*, OECD (2012), www.oecd.org

⁸⁰ *Generation Entrepreneur? The state of global youth entrepreneurship*, (2013), Global Entrepreneurship Monitor (GEM) and Youth Business International (YBI), www.youthbusiness.org

belong to this category due to necessity, against 23% of the adult entrepreneurs (with ages between 35 and 64 years of age).

The available data indicate that in the European Union entrepreneurs created 67% from all jobs in 2012. In China⁸¹, entrepreneurs created 75% from total jobs in the same period, while in the United States⁸² start-ups and companies with less than 5 years of existence, in 2010, represented almost the entire net growth in jobs for the last 30 years. In Romania, SMEs contribute by 66% in total number of employees from private companies⁸³.

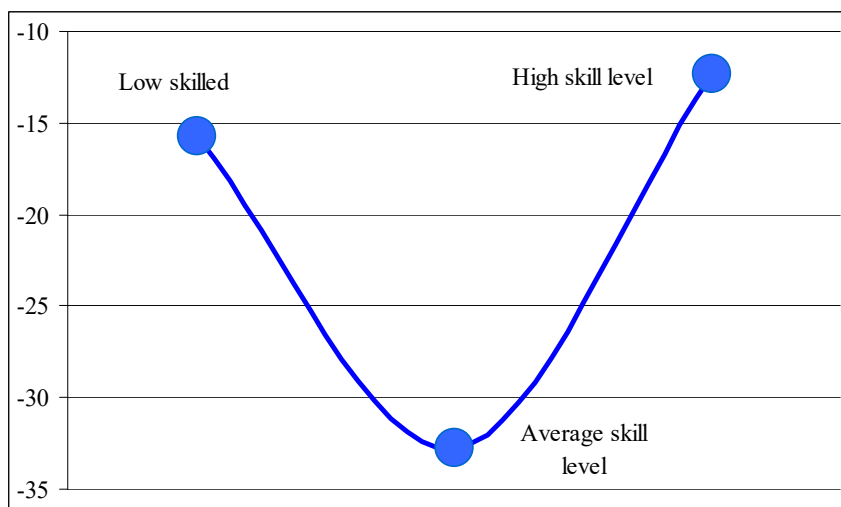
Useful information in analysing the demand for labour force can be obtained by the technique of “polarising jobs”.

In the year 2003, authors Levy and Murnane⁸⁴ initiated a new trend in the economic literature regarding labour force market under the conditions in which they noticed that labour demand in USA was polarised from the viewpoint of wages (these increased strongly for low paid jobs, and for very well-paid jobs, while decreasing for average paid ones). According to the authors, the polarisation phenomena of jobs allowed for explaining the rapid inequality growth in incomes for USA as of the end of the years seventy.

In general, the specialised literature referring to labour demand takes into account two types of competences: inferior (elementary occupations) and superior (managers, professionals, technicians). By adding a new category of medium skills, for instance machine and industrial operators, a better analysis can be made about the polarisation of employment on the labour market. In the three clusters of labour demand are comprised the nine categories of basic occupations enumerated by the international standard classification of occupations (ISCO).

By making use of the jobs’ polarisation technique, for young individuals with ages between 15 and 24 years for the period 2007-2014 in the EU-28, it is noticed that the demand for low-skilled workers and high-skilled workers decreased, on average, by 13%, and the one for mid-skilled workers diminished by 33% (Figure 2).

Figure 2. Jobs’ polarisation for youths in the age group 15-24 years, in EU-28, in the period 2008-2014



Data source: Eurostat statistics, (online data code: [lfsa_egais]), author's processings

⁸¹ Ministry of Commerce from China, english.mofcom.gov.cn

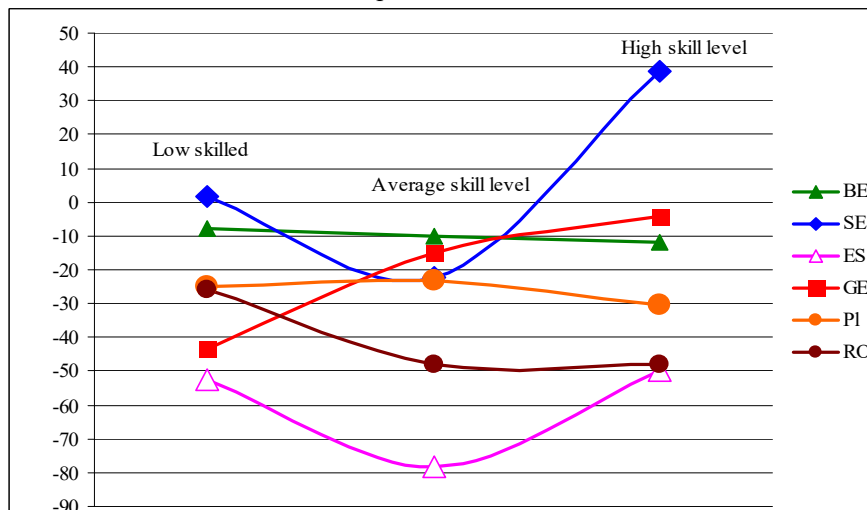
⁸² D Stangler and P Kedrosky, *Neutralism and Entrepreneurship: The Structural Dynamics of Startups, Young Firms, and Job Creation* (Ewing Marion Kauffman Foundation, 2010), p. 13

⁸³ Barometrul antreprenoriatului românesc 2015, <http://www.eyromania.ro>

⁸⁴ F. Levy, R.J. Murnane, (2003), *The skill content of recent technological change: An empirical exploration*, in: Quarterly Journal of Economics, Vol. 118, No. 4, p. 1279-1333.

The analysis of the labour force demand curve for youths highlights that not in all member-states took place a polarisation of jobs during the analysed period (Figure 3). Thus, a slight job polarisation was recorded in Spain where the demand was lower for low-skilled workers and for the high-skilled ones (by about 50%), while the demand for mid-skilled workers diminished drastically (by 78%). In Sweden, it may be considered that the labour market registered a certain job polarisation, that is, for the analysed period takes place under the conditions of economic crisis a slight increase for low-skilled personnel (by 1.75%) and an increase by 38% for the high-skilled one, while for the personnel with mid-skills a diminishment was registered by 22.3% (Figure 3).

Figure 3. Job polarisation for youths in the age segment 15-24 years, in some EU-28 member-states for the period 2008-2014



Data source: Eurostat statistics, (online data code: [lfsa_egais]), author's own processing

The development of demand on the Romanian youths labour force market for the period 2008-2014 is atypical, high diminishments being recorded for the segment of youths with mid- and high-skills (Figure 3).

The factors explaining various forms of change in labour demand on the youths labour force market are various and differ from one country to another. The technological evolution is regarded as one of the common factors. The relationship between labour force demand and innovation is conditioned increasingly more by skill-biased technological change (SBTC) and by the task-biased technological change (TBTC). As result, technological progress tends to increase the demand for skilled labour force and diminishes the demand for less-skilled introducing changes in the systems of the labour market, including here the wide-scale implementation of automations and robotics for some manufacturing processes that, right up to the time before the crisis, were realised based on human labour force with mid-skill training.

Another factor of influence for youths' labour force demand, under the conditions of globalisation, is also the externalisation sometimes accompanied by reallocation, as well as the increased externalisation capacity with/without relocation of these jobs. In his paper, Blinder⁸⁵ maintains that labour migration in USA and rich countries, in general, against the one in poorer countries tends to become a phenomenon comparable with the industrial revolution.

⁸⁵ Blinder A.S., *How Many U.S. Jobs Might Be Offshorable?*, CEPS Working Paper No. 142, Princeton University March 2007,

Young labour force supply

From the viewpoint of young labour force supply, a well-developed educational and vocational training system (for instance, 'the dual system' which combines education based on schooling with training on the job and apprenticeship) and closer cooperation between this system and the private sector can facilitate a smoother transition from school to work.

Very often, the educational system does not provide matching labour force for the needs on the domestic market. This asymmetry may generate a long-term process of obtaining a job according to expectations on the domestic market. In this context, job opportunities for youths are frequently limited either by the informal economy (leading to frustration), or by the decision to migrate (for instance, 'higher education unemployed').

Currently, most (if not all) EU-28 countries undergo a process of generalising secondary education and the attention of decision factors switched to tertiary education, under the conditions in which the expansion of higher education is a key objective at European level: for instance, the Europe 2020 Strategy recommends that at least 40% of individuals with ages between 30 and 34 years of age should be graduates of higher education. Consequently, it may be said that skills upgrading or, otherwise, the increases registered in the complexity of the same type of characteristic skills generated within all advanced economies of the 20th century are extended to generalising higher education of the 21st century. Trow⁸⁶ considered already in 1973 that there are three clusters of young participating to tertiary education: elites (reserved to a low number of individuals), mass (over 15% of the young population is included in this education segment), and generalised when the participation increases to over 50%.

The data supplied by international statistics indicate that with respect to this classification, in the year 2014 all EU-28 countries attained and even surpassed the 15% objective, thus expanding mass higher education, and in countries like Ireland, Lithuania, and Cyprus even the generalisation level was exceeded (52.2% in Ireland, 52.5% in Cyprus and 53.3% in Lithuania).

During the economic-financial crisis, the number of youths who pursued the tertiary education courses increased substantially, this also due to the decrease in the number of jobs. The only exception is Ireland where a diminishment by 1.2 pp was registered in the numbers of youths in tertiary education. In Romania, the number of youths on this educational segment increased by 3.3 pp, while the level of secondary education recorded a decrease by 4 pp.

. Another issue of young labour supply is the one of young individuals employed in the informal economy. Even if they gain skills required on labour market in this type of activity, still, very often these are not officially acknowledged which leads to encountering difficulties when young individuals attempt accessing better jobs.

Moreover, very often, young individuals do not have information about the professions demanded on the labour market, or do not know where to search for a job. Special career guidance, information, and young employment services can facilitate their entry on the labour market and avoiding the mismatch between the young labour force demand and supply.

Conclusions

Young individuals were in particular most affected by the recent economic-financial crisis, their employment perspectives diminished and the unemployment rate reached alarmingly high shares. At world level, in 2014, the employment rate among young individuals was 2.5% remaining about 4.7 percentage points below the level of the one before the crisis. In the period 2008 – 2014, the employment rate among youth within the EU-28 decreased by almost five percentage points (from 37.3% to 32.4%).

In the year 2014, at world level, the unemployment rate among youths reached 13.2% being almost three times higher than the unemployment rate among adults. In the same year, on the labour

⁸⁶ Trow M., (1973), *Problems in the Transition from Elite to Mass Higher Education*, Carnegie Commission on Higher Education, Berkeley

market were employed about 37.1 million young individuals less than in 2007, under the conditions in which the world's young population decreased by only 8.1 million individuals in the same period.

During the recent recession, unemployment affected all young individuals, irrespective of their training level. Even if there is wide consensus regarding a higher insertion degree of highly trained young individuals on the labour market against those with inferior training levels, still, in some countries, in the current crisis this consensus seems to be disproved. Unemployment among youths increased dramatically even among graduates of higher education while the perspectives of employment on the labour force market were diminished considerably. Probably, this is yet another expression of the fact that currently economic transitions exceeded the transitions born by other sectors (for instance, educational systems) and, to a certain extent, the social capacity of adjustment to changes imposed by economic rules.

The economic potential of youths can be put to good use by entrepreneurship activities, but the high volatility and the lacking work experience of youths are the main reasons for their reluctant employment by entrepreneurs.

The use of jobs' polarisation technique for the young individuals in the age group 15 to 24 years allowed for highlighting that the demand for low-skilled workers and for the high-skilled ones decreased in the period 2007-2014 in EU-28 on average by 13%, and for mid-skilled workers the demand diminished by 33%. Moreover, based on the analysis of the labour force demand curve it was underpinned that not in all member-states a job polarisation occurred in the analysed period.

As result of the decreasing supply of jobs in the economic-financial crisis period, the number of youths who pursued tertiary education increased substantially.

From the viewpoint of young labour force supply, a well-developed educational and vocational training system (for instance, the 'dual system' which combines education based on schooling with training on the job and apprenticeship) and closer cooperation between this system and the private sector can facilitate a smooth transition from school to work.

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