

# CAREER OPPORTUNITIES IN A DOWNTURN SOCIETY

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## Abstract

*The world crisis that began in 2008 has negative influences over financial and economical-social structures, mainly affecting the young working population. The most affected by the current economical and financial crisis is the youth. Jobs offer for young people seems to have decreased to a significant extent, while they of all categories of job candidates are the most affected precisely due to their lack of experience and to the high costs for training new employees under the current competitive labour market conditions. Data from a study by the National Employment Agency indicate for 2010 that only 6.36% of young unemployed (under the age of 25) found jobs within the first three months. In the same time, the main specializations for which personnel was still being recruited at the end of 2010 were IT, outsourcing, accountancy, engineering, retail and pharmaceuticals, according to recruitment agencies.*

**Keywords:** *Young graduates unemployment, EU unemployment, chances of employment, downturn, international financial crisis, learning and education, professional experience and training, emigration, broken families.*

## Introduction

In Romania, a country continuously troubled by transition, reforms, motions and internal crises, all overlapping on the global financial and economic crisis, we are beginning to wonder whether we are somehow too many or too young or untrained for finding our purpose within this system. The consequences of the global economic crisis triggered in 2008 are being felt worldwide economic.

Thus, the unemployment rate among young people increased in all the Member States of the European Union. At European level, university graduates face the greatest difficulties in finding a job to be appropriate for their training level. In early 2009, approximately 17.5% of young Europeans did not have a job, compared with 14.7% in early 2008.

The labour market deterioration in Romania occurs in the third consecutive year of recession, amidst an unprecedented austerity plan. In November 2010 35.6% of young people aged between 15 and 24 years were unemployed, compared to 27.8% during the same period of last year. Women are more affected by unemployment than men, with an unemployment rate of 17% in 2010 compared to 13.3% in November last year. According to a study made by the European Space Agency, the number of unemployed in 2010 was 692,577, meaning it was increasing with 30.2% compared to the previous year.

The purpose of this paper is not to provide solutions, but to determine, based on statistical data, the critical situation in which most graduates are found in Romania, and we are also trying to analyse some of the causes of this situation.

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### Literature review

The economic development, the evolution of the labour market, issues of integrating youth into the labour market and the migration of work force phenomenon represent issues that are viewed with great interest by economists and sociologists. Economic literature has gained over time from many studies of famous authors including economists such as: Theodore W. Schultz (“Investment in Human Capital”) – Nobel Prize winner, Gary S. Becker (“Human Capital: A Theoretical and empirical Analysis, with Special Reference to Education”) and GJ Stigler who are also Nobel Prize winners in Economics, Angel de la Fuente and Rafael Domenech (“Human capital in growth regressions: how much difference does data quality make? An update and further results”), studies of the European Council, EUROSTAT, as well as numerous surveys performed by agencies such as Daedalus Millward Brown, Catalyst Solutions and Instituto Nacional de Estadística of Spain. In our country, the works of Ionel Muntele („Migrations internationales dans la Roumanie moderne et contemporaine”), Daniela Nicoleta Andreescu and Aurel Teodorescu (“Romanians’ work migration after 1990”) are significant, as well as the studies prepared by the National Agency for Employment, National Institute of Statistics, International Labour Organization and the Credit Risk Control of The National Bank of Romania.

### Theoretical background

#### Employability of youth in a downturn society

The global crisis that had been triggered three years ago has negative influences on the financial, economic and social structures affecting primarily the young population that is fit for work. Young people are the most affected by the current financial and economic crisis. Job offer for them was significantly reduced and they are among the most affected category of candidates, because of lack of experience and very high costs for training new employees under the present conditions of competition on the labour market. In the European Union there are currently 96 million young people between 15-29 years, which means almost 20% of the Union’s total population<sup>1</sup>.

Thus, young people from European Union become an increasingly valuable resource being essential to providing work force for national economies. For every young person the chance to receive a quality education means the opportunity to develop his skills at a higher level, to take advantage of professional counselling and guidance and thus to have increased opportunities to be employed. Increased investment in education and initial training, generate the most important gains in the future participation of the individual on the labour market, which makes social integration through work to represent an important part of the efforts to reaffirm their opportunities. But given the current downturn economy, safe jobs are increasingly scarce, many young people of the European Union being forced to accept temporary jobs or poorly paid compared with their training. Frequently, in the desire to find a job, young people do mind their specializations and apply for a job at any company that accepts their CVs. A study conducted in Romania, based on the “Job-Shop” Fair, organized by the Board of European Students of Technology Bucharest, shows that in 2009 young university graduates accepted wages that were lower up to 40% - 60% than those requested in the previous year. In the same time, graduates of the last two years of master’s degree agree to accept jobs that do not require higher education, but rather high school education. These compromises determine many young graduates to have difficulties providing for themselves, without having the opportunity to become economically and socially independent and without being able to fully integrate into society.

In this period of downturn, job vacancies do not offer attractive wages, according to the youth’s aspirations. However, according to statistics, many young graduates want to work. Also,

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<sup>1</sup> Marioara Ludusan, Monica Angela Bara, “1 decembrie 1918” University of Alba Iulia in Centre for Social Research, Political and Administrative Sciences, Society and Politics no. 1, April 2010

skills and competences acquired by young people are not always fully relevant to labour market demand, which contributes to higher unemployment.

Unemployment among young people age group between 16 and 24 has increased in all Member States of the European Union (data from 2008), except for Bulgaria, where it decreased from 13.9% in the first quarter of 2008 to 13,5% towards the end of the year. At European level, young graduates face the greatest difficulties in finding an appropriate job. The same statistics show that in early 2009, approximately 17.5% of young Europeans did not have a job, compared with 14.7% in early 2008. This value of the analyzed indicator represents more than double of the unemployment rate in the EU, which, for the same period (2008 - 2009), has increased from 6.8% to 7.9%. After three years of sustained economic growth, while the indicator has decreased, the unemployment rate among young people began to grow in the first quarter of 2009 so that in the States of the European Union that have adopted the Euro currency, the seasonally adjusted unemployment rate among young people, was of 18.4%, twice higher than the European average of 27 countries (8.8%), the Euro area recording 3.1 million unemployed youth compared to 5 million unemployed youth in the European Union.

According to a study conducted by EUROSTAT<sup>2</sup>, in 2007 (interestingly, this study provided for 2009 a youth unemployment rate of 60% at European level - 35.7% for women and 22 2% for men) the overall unemployment rate in Romania has remained stable compared to 2006, 7.2%, but it has evolved to 7.6% at the end of 2009. Recent data of the National Agency for Employment (NAE) show that the number of unemployed reached 601,673 at the end of August 2009 compared to the 403,400 level recorded at the end of 2008. In July 2008, in Bucharest the number of unemployed exceeded 18 200 persons, of whom 1,500 (8.2%) were university graduates. However, alarming statistical data are in regards to youth unemployment rate, which is a continuously increasing indicator, increasing from 17.2% in 1999 to 23.8% in 2005. In 2010, data from a study of the National Agency for Employment show that only 16,500 unemployed youth (under 25) have obtained jobs within the first three months of 2010, a total of 105,007 young graduates being registered as unemployed, more precisely a percentage of 6.36. The number of university graduates who receive unemployment benefit has reached almost 53,000 in September, the highest level of post-December period, taking into account that every year, approximately 100,000 Romanian graduate a higher education institution.

The number of unemployed persons with higher education<sup>3</sup>, has tripled in the last three years, given the fact that in 2008 there were two generations of graduates (with undergraduate studies of three and four years), following the conclusion of the Bologna Convention which provides the length of undergraduate of 3 years and 2 years for the Bachelor's degree. The employability rate of graduates has decreased as a result of the fact that private universities have lost credibility because of issues regarding the legality of the diplomas. The education system is the only one to blame or is there a combination of factors which contribute to this state of affairs?

It should be noted that in the European Union are currently 6 million young people who manage to complete only the maximum compulsory education (14.28% of youth aged 18-24 years). In the same time, approximately 108 million people have a low education level, which represents approximately 33% of the European Union workforce. Also, those in a high percentage who failed to complete high school have fewer opportunities to participate in lifelong learning. Challenges exist for preschool education also as in EU countries one of seven children aged 4 years is not attending pre-school, the majority of them coming from families with a precarious socio-economic status.

There are similar, but somewhat different, issues depending on the geographic area within the EU countries. Romania is in a disadvantageous position compared both to the average European, as well as the former states from the Eastern European space.

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<sup>2</sup> Fewer people outside the labour force in 2009 - Issue number 57/2010

<sup>3</sup> Ziarul Financiar, September 2009

Romania is far from achieving in 2010 the targets established by the Treaty of Lisbon for four of the five agreed performance standards: skills in reading / literacy, reducing the share of young people who drop out prematurely the education system, increasing the number of those who complete upper secondary education and participation in lifelong learning. At the same time, at European level, only the objective regarding literacy skills is unlikely to be achieved.

As can be seen in the EUROSTAT data, Romania is far from the goal set for young people aged 18-24 who have left early the education and training system and have completed at the most the compulsory education. Although there has been a slight improvement compared to 2000, our education system faces a serious challenge represented by nearly 20% of young people aged 18-24 who leave the education system without having at least a mid-level qualification. Comparative data on the indicator of early leaving the education and training system of young people show that Romania continues to place well below most of the countries that recently joined the EU such as Poland (5.0%), Czech Republic (5.5%) and Slovakia (6.4%), etc.

**Table 1.** The performances of the European education systems for the indicators adopted as reference level in Lisbon (2007)

European Union Countries	Mathematics, science and technology aduates as percentage of the total higher education graduates	The percentage of those who participate in lifelong learning	The percentage of population aged 20-# having completed e upper-secondary education	The percentage of population aged 15 having low performance in literacy
European Union Objectives	Maximum 10.0	Increase by 15% compared to the reference year	At least 85.0	Decrease by 20% compared to the reference year
Czech Republic	5.5	27.4	91.8	24.8
Estonia	13.2	43.5	82.0	13.6
Hungary	12.4	30.0	82.9	20.6
Latvia	19.0	32.8	81.0	21.2
Lithuania	10.3	35.2	88.2	25.7
Poland	5.6	36.6	91.7	16.2
Slovakia	6.4	35.3	91.5	27.8
Slovenia	5.2	26.2	89.4	16.5
Bulgaria	18.0	41.1	80.5	51.1
Romania	19.0	40.0	77.2	53.5
U.E. Average	15.3	31.2	77.8	24.1

Source: EUROSTAT, 2008

However, one must not forget the fact that our country is facing now (like most European countries) issues related to aging population, significant emigration, youth lacking family support and an acute lack of professional qualifications.

In these precarious circumstances and influence of economic recession in which the labour market in Romania is becoming also a market which increasingly emphasizes high skills, one may believe that in the future years, population with low professional qualifications, will be more and more disadvantaged. Until the labour market record positive developments, young graduates in Romania can choose from the few options offered by the labour market in areas such as manufacturing industry, finance, insurance, real estate or the distribution of electricity, water and gas sector.

A similar situation is found in the case of the indicator on the share of youth who have completed upper secondary education. For this indicator, there is a negative deviation of 10%

between the target set at Lisbon and the performance recorded by the Romanian education system in this regard. Although the number of Romanian youth attending a higher education institution has significantly increased in the last couple of years, the number of those who fail to complete the upper-secondary education is still high.

Our country is far from the EU average in terms of participation rate in education of 5-29 age group people. Meanwhile, other East European countries are close or even exceed this average (see Lithuania, Poland and Slovenia). This means that Romania still has one major disadvantage compared to the other countries within the European Union.

Another handicap is represented by the structure of migration by age group which is highlighting a higher tendency to migrate of young people of working age, those who actually have the best chance of professional achievements. Thus, approximately 50% of migrants were young people aged 26-39 years, who were already qualified and had a high potential of employment. In the last years, "the migration of clever minds" determined that the share of population aged 18-24, that were graduates or in the last years of studies, with high employment prospects or potential, to increase to 14%. Romanian higher education graduates represent approximately 10-12% of all legally immigrated persons, and this process has direct implications for young manpower resources in Romania. Immigrants with high technical and professional studies represent about 9% of the total. A third of all Romanian immigrants is held by persons who have completed only primary school or secondary school, and among them a significant share is held by children and adolescents who have emigrated with their family.

A comparative estimate demonstrates that the number of Romanians who left to work abroad in 2009 is somewhere between 2.8 million and 3 million people. However, the statistical data published in our country regarding the status of the migrated persons are outdated and they often underestimate the real situation because only those that have migrated abroad and whose residence is also abroad are being registered. Thus, according to the Statistical Yearbook of Romania from 2008, the number of immigrants is 8.830 in 2007 and from 2002 to 2007 their number is 65,874 people, which means approximately only 10.000 immigrants annually. How many Romanian citizens left to work abroad in 2009? To answer this question we can analyze two appraisal variants: one that is based on official statistics of the main countries of emigration, supplemented by survey data, and another that has as starting point surveys whose data are correlated with official data. Although the official statistical records are not updated, information known about Romanian migrants represents a valid basis for estimating. According to official statistics, requested by the CURS and provided by the Instituto Nacional de Estadística from Spain, there were 731,806 Romanians in Spain in early 2009, of which 190.000 in the capital area of Madrid (Instituto Nacional de Estadística:<sup>4</sup>). According to the latest Caritas Report "Romani a Immigrazione a Lavoro in Italia", in early 2008 there were 1.016 million of Romanian immigrants in Italy (of which 749.000 Romanian workers - 73.7% 239 000 family members - 23.5 % and 28.000 - 2.8%, other categories).

The values shown represent significant increases compared to statistical data from 2006, due in particular not so much to the new wave of immigrants, as to the formalization or legalization of the situation of many emigrants after Romania joined the EU in 2007. We can assume that in 2009 the total of emigrants remained approximately the same, the arrivals of new immigrants being practically cancelled by returning home of some of those affected by the economic recession. The official statistic, however, must be regarded as minimum values for the proportion of migrants from Romania. Statistical surveys of CURS from 2008 conducted at the request of the Metropolitan Library of Bucharest, in the capital areas of Madrid and Rome, show that approximately 35% of the Romanian workforce in these cities is working without a contract or work permit, some of them even carrying out criminal activities. Also, 20% of Romanian citizens who have emigrated abroad say that they are living illegally in these countries. Thus, to those approximately 1.75 million people

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<sup>4</sup> <http://www.ine.es/>

emigrated from Romania that are officially registered in Spain and Italy, we can add about 350 thousand, meaning 20% (the percentage of those who live and work illegally). It results approximately 2.1 million Romanian immigrants in Spain and Italy. In other words, even for a minimal estimate, in these two countries are currently at least two million Romanians. The official statistics of EUROSTAT (Labour Force Survey) shows that the share of Romanian workers in Spain and Italy is about 80% of Romanian residents in the European Union. The data from the CURS survey in 2009, based on information gathered from people in migrants' households, reveal that the share of those two reviewed countries is 70% of total of people that left Romania to work in the European Union and about 60% of emigrants for employment worldwide.

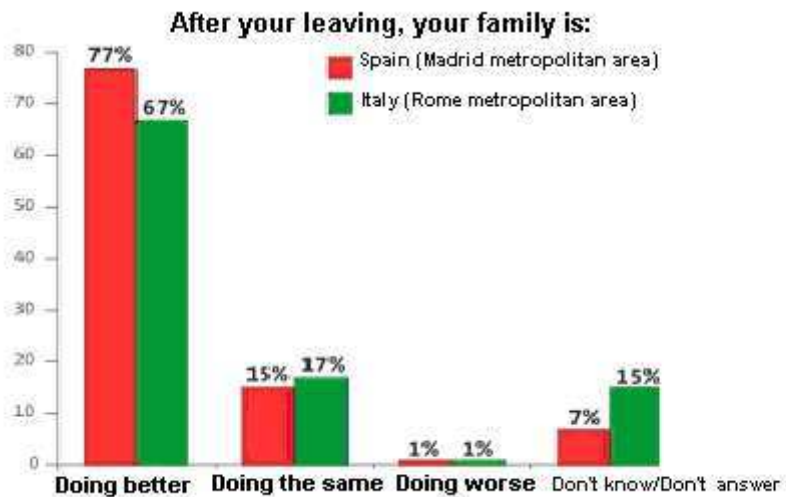
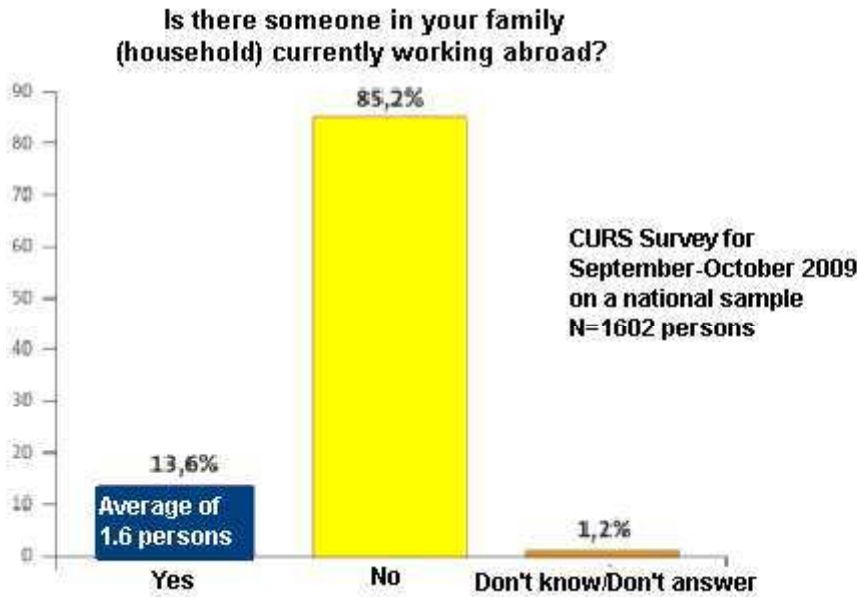
Thus, if we accept an average share of immigrants from Western Europe by 75% in Spain and Italy (2.1 million people), to determine the actual volume of immigrants from Europe we must add to this number another 25%, meaning 0.7 million people, thus resulting a total of approximately 2.8 million Romanian immigrants left to work in European countries. According to the same CURS polls, the share of Romanian immigrants in other countries than those from the European Union is approximately 14% of the total migrants. Thus, given that 86% of immigrants are in the European Union, shows that approximately 0.45 million of Romanian immigrants are at work in other countries than those from the European Union, so as we can estimate the number of Romanian immigrants to over 3.25 million in 2009, of which over 2.8 million are in the European Union countries.

These citizens are temporarily living and working outside Romania. The forecast for the number of migrants abroad based on information provided by various surveys is based on three indicators:

- Volume of individuals and families (households) who have all members gone to work abroad, at least temporarily;
- share of households with people who have currently gone to work abroad, of all existing households in the country;
- Average number of persons per household, gone to work abroad from households that have members left to work abroad.

According to surveys conducted by CURS, in 2008 in Spain and Italy, the volume of people gone to work abroad that no longer have a household in Romania is about 40% of the total migrants. In this category are included the reunited families: husband and wife, husband, wife, plus children, but also single people, especially young people. Believing that in other countries with Romanian immigrants the situation is similar, to an average percentage of minimum 40% compared to the approximately 3 million estimated migrants, the volume of this category of people who have no household in Romania is amounting to 1.2 million. At an average number of persons per household of only 2.5, one can estimate that abroad are approximately 480 thousand households of Romanian immigrants, which were not accessible to the conductors of this study, more precisely they were not in Romania at the time of the CURS survey.

From the survey data conducted by CURS (at the request of the Jurnalul National newspaper) it results that the share of households with at least one member who went to work abroad is of 13.8%. Therefore, 13.8% compared to 6.84 million households currently existing in Romania (7.32 million existing households in Romania, according to the census of 2002, of which we subtract 480 thousand households temporarily moved abroad altogether) results a number of approximately 943 thousand people (with at least one member of the household left to work abroad). However, as shown in the chart below, the average number of people left to work abroad per household is 1.7. Thus, the number of people who are working abroad, but keep their households in the country, is over 1.6 million. In other words, in this minimal estimation variant (which considers both households that have left the country altogether, as well as the share of the households that remained in Romania and which have at least one family member left), we can say that the number of people going to work abroad is about 1.2 million plus 1.6 million, resulting in a total of 2.8 million people.



According to the data of the National Agency for Employment, the unemployment rate among young university graduates reached at the end of September 2010 to 7.9%. By comparison, in 1991 the unemployment rate was 2.3%, corresponding to 8000 unemployed university graduates. Since late 2008, most private companies have started to reorganize and to recruitment budgets in order to be able to keep business running at a medium level, operating massive costs cuts. This means that in Romania in 2010 there are 53 000 licentiatees who do not have a job. And these observations reflect only the data recorded. The actual number of young university graduates without a job is much higher.

Most university graduates have failed to get a job because companies that still had vacancies have had a broader range of experienced candidates, who came from those over 570 thousand people that had been fired since the economic crisis began-

Under these conditions, university graduate receive this year (2010) due to the austerity imposed by the economic crisis an unemployment compensation of 255 lei, 15 percent less than last year for a period of six months if they submit the documents to the agency for employment within 60 days from the date of graduation.

Approximately 20% of the employees with higher education had pay cuts within the company they work for, and for 10% of them working hours have been reduced or are in temporary layoff, according to a survey conducted in March 2009 by Daedalus Millward Brown and Catalyst Solutions, on a sample of nearly 1.160 employees with higher education.

The main specializations for which personnel was still being recruited at the end of 2010 were IT, outsourcing, accountancy, engineering, retail and pharmaceuticals, according to recruitment agencies. If we analyze the ad submitted by Com Invest/Work -Study Abroad which selects university or college graduates for the training program in the U.S., we observe that the main areas of interest are: Hospitality Management, Food and Beverage Management, Information & Communications Technologies, Management/Business/Finance, Business, Sales and Marketing, Engineering. Com Invest/Work - Study Abroad also states methods to access and draw up the appropriate documentation because it considers that on the European level there is a lack of information in regards to writing a resume or a letter of intent.

Following this analysis, there appear contradictory aspects, on one hand young people's discontent with employment conditions, on the other hand their need to attain higher education, regardless of the profile. It is noted, in these circumstances, the absence of vocational schools as an alternative for higher education. At the same time the labour market suffers from the shortage of highly qualified work force and the Romanian secondary and university education produce "experts", however something different from the most important requirements of the labour market: ceramic tile fitters, construction and civil engineering electrical wiring plumbers, installers specialized in heating systems and home networking, etc. Meanwhile, at all job fairs the demand for skilled workers is of 80%.

## Conclusions

Creating new jobs represents an European goal of most importance. At European level there has been significant progress: the employment rate, which reached 66% in 2008, had advanced the 70% target set in Lisbon for 2010. However, the spread of financial crisis and the associated downturn imply that European countries should review their policies and to renew their efforts to return to the path of increasing employment, particularly for youth.

There are currently in Romania many families without children, but also families with three or four children, of whom one is emigrating and another is dropping out of school. Unfortunately this alarming situation is not occurring only in Romania, but, as we tried to demonstrate within this paper, it extends to other European countries. Then a question with disturbing implication rises: is the current global crisis just the precursor of the real social crisis that will trigger due to "aging population"?

This paper is part of a broader study of sociological research<sup>5</sup> conducted in collaboration with a group of teachers led by University Professor Elena Nedelcu, PhD. The average age of those involved within this research project is 40 years. Generation of 40-year-old is the "children of the

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<sup>5</sup> Contract no. 1/02.06.2009 "Study on subjective professional skills and employability of students"



decree” generation, those with 20 years of service. This is a generation which for 20 years has contributed consistently to the social insurance funds and also a generation that will be close to retirement in 20 years from now.

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