



EMPIRICAL ANALYSIS OF YOUTH UNEMPLOYMENT
AND POVERTY IN ROMANIA

Daniela-Emanuela Dănațică

University of Craiova, Faculty of Economics and Business Administration

Constantin Brâncuși University of Târgu-Jiu, Faculty of Economics

Romania

danadde@yahoo.com

Abstract

The aim of this paper is to analyze youth unemployment and poverty in Romania. From this preliminary descriptive analysis we can notice intercausality between unemployment of young people and risk of poverty and social exclusion. Future study to estimate this causality using econometric models will follow.

Index Terms – youth unemployment, poverty, quality of life

I. INTRODUCTION

Unemployment has devastating consequences in the lives of affected individuals. However, the effects are more dramatic if we focus on youth labor force. As literature emphasize, an early negative experience has a negative long-term impact on the labor market insertion of young people (Dănațică, 2014, Gurbuzer and Koseleci, 2008). Gregg (2001) pointed out that there is a clear association between an early unemployment experience and long-term unemployment in the adult life for men; for women the effect is minor. Buckley (2015) underlines that, a slow start on the job market leads to lower lifetime earnings. International Monetary Fund warns that long-term youth unemployment has a negative impact on individuals, causing skills erosion, decreased quality of life and negative psychological effects. There are evidences about the link between long period of unemployment as youth and large period of unemployment during working lives (Gregg, 2001, O'Higgins, 2010) and earnings effects up to ten years after the early unemployment period (Mroz and Savage, 2006). Also, the social consequences such as migration (Bilan, 2014) and marginalization are important when we are trying to evaluate the long-term effect of the economic downturn (Bartlett and Uvali, 2013).

According to European Labor Force Survey (2016), during 1995-2015 youth unemployment doubled total unemployment. Social exclusion affects young people in particular. The aim of this paper is to analyze youth unemployment and its relationship with poverty in Romania.



II. YOUTH UNEMPLOYMENT IN ROMANIA

Since 1991, unemployment was officially acknowledged in Romania, with the promulgation of Law no. 1/1991. The imbalances caused by transition to an open market economy and the economic downturn led to a significant increase of unemployment in the early years of transition (Dănăciță, 2014). The 2016 ILO unemployment rate of 5.9% places Romania below the average EU28. During 2009-2013 the total unemployment rate has increased, as consequence of the effect of financial crisis. The youth unemployment rate (15-29 years) is slightly higher than EU28 average, during all the 2002-2016 period (table I).

Table I. Dynamics of the ILO youth unemployment rate (15-24) for Romania and EU28 (%), during 2002-2016

Country	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
EU28	18.1	18.3	18.7	18.7	17.4	15.5	15.6	19.9	21.0	21.7	23.2	23.6	22.2	20.3	18.7
Romania	22.2*	19.5*	22.3	20.2*	21.4	20.1	18.6	20.8	22.1*	23.9	22.6	23.7	24.0	21.7	20.6

* break in time series. Source of data: Eurostat database.

In table II we have the dynamics of youth unemployment rate by age groups and urban-rural area, for the 2002-2016 period. As we can notice from the data, youth unemployment rate began to increase with the economic crises; the trend has continued to rise until 2014, for all three age groups. Young individuals aged in between 15 and 19 years are in the most disadvantaged position on the labor market. This situation is a consequence of the fact that Romanian employers are looking for individuals with a previous work experience and a high level of education and skills. For the young people group, with the age increase the unemployment rate decrease. Youth unemployment in Romania is predominantly urban. The gap between urban and rural area is very pronounced for individuals aged in between 15 and 19 years. As we can also notice, the unemployment rate for young female aged in between 15 and 24 years is slightly higher than male with the same age (table III). For the age group [25-29y] we have the opposite situation. As Dănăciță (2014) pointed out, for youth unemployment, with the increase of education and the presence of previous work experience, the gender gap decreases. Education is a variable with a significant effect on the youth unemployment rate and youth unemployment duration. The quality of education and its correlation with the employers needs is an important factor in lowering the youth unemployment and social exclusion.

We have also variation of youth unemployment rate and duration by region (table IV). North-West and West region are in the best position in terms of youth unemployment and the South - Muntenia and the West Oltenia are in the opposite situation. Youth unemployment rate and duration of unemployment are significantly affected by the economical development of a region.

Table II. Dynamics of the ILO youth unemployment rate by age groups and area, 2002-2016 (%)

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
15-19	27.4	25.1	29	25	29.1	27.4	28.3	31.6	27.1	30.7	31.1	31.5	34.2	29.4	30.7
Urban	50	46.1	47.4	43.7	48.6	46.2	49.4	57.5	58	68.4	65.3	66.2	63.2	51.3	50.7
Rural	18.5	17.1	19.5	16.5	20	19.9	20.9	23.4	18.6	17.9	21.8	23.5	25.6	24.3	25.8
20-24	19.6	16.5	17.8	17.4	17.7	17.3	15.1	17.3	21.1	22.5	20.8	22.1	21.8	19.7	18



Urban	25.6	22.6	21.9	22.6	22.6	20.3	18.3	21.8	27.8	28	27.5	29.4	29	24.1	21.4
Rural	13	9.4	13.3	12.2	12.9	14.3	12.1	13.2	15	17.4	14.6	15.7	16.1	16.4	15.8
25-29	9.8	8.8	9.2	8.4	9.2	7.5	6.5	8.3	9.6	9.6	10.3	10.6	10.5	10.2	9
Urban	11.9	10.1	10.3	10	10.3	8.2	7	8.9	11.2	10.7	12.1	12.4	12.1	10.2	8.4
Rural	7	7.1	7.7	6.2	7.5	6.5	5.6	7.3	6.9	7.7	7.4	7.6	7.8	10.1	9.9

*Source of data: Romanian National Institute of Statistics, Tempo-Online database.

Table III. Dynamic of the ILO youth unemployment rate (15-29) by age and gender, 2002-2016

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
(%)															
15-19															
Female	24.3	27.2	27.7	25.5	30.5	30.1	29	31.6	28.3	30	30.5	31.7	34.4	34.3	35
Male	29.4	23.9	29.8	24.7	28.3	26	28	31.7	26.4	31.3	31.6	31.4	34.1	26.3	28.3
20-24															
Female	20.8	16.4	15.7	15.9	17.1	15	15	16.6	20.9	22.5	21.6	23.1	22.6	20.6	18.6
Male	18.8	16.5	19.3	18.5	18.2	18.8	15.1	17.7	21.2	22.6	20.3	21.5	21.3	19.1	17.5
25-29															
Female	10.8	6.9	8.2	7.5	7	6.4	4.7	6.1	8.8	10.2	8.6	9.4	9.5	8.6	7.9
Male	8.5	10.3	10	9.1	10.8	8.4	7.8	9.9	10.2	8.8	11.6	11.5	11.2	11.3	9.7

*Source of data: Romanian National Institute of Statistics, Tempo-Online database.

Table IV. Dynamic of the ILO unemployment rate (15-24) by region, 2002-2016 (%)

Regions	Year														
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
North-West	18,7	16,5	17,1	17,7	18	13,6	12,6	16,8	18,9	20,9	16,2	16,4	13,8	18,7	15,7
Central	21,2	21,1	23,4	18,8	21,6	23,5	21,3	30,1	33,2	35,8	31,9	32,1	34	28,4	23,7
North-East	18,4	14,1	16,8	16,2	17,7	14,4	12,9	15,1	13,5	12,2	12,5	12,1	12,4	9,3	9,2
South-East	24,5	17,2	22,5	19,1	23,1	26,1	21	21	26,1	30,7	30	29,4	29,5	29,3	28,9
South-Muntenia	27,5	22,9	25,8	22,8	24,7	23,3	19,6	23,6	29,2	32,9	30	32,4	33,8	32,3	29,8
Bucharest-Ilfov	24,7	26,2	20,9	23	15,4	16,3	16,5	16,3	20,1	22,1	21,8	25,9	26,4	14,6	19,8
South-West															
Oltenia	21,2	18,2	19,5	18,8	22,1	20,8	20,2	18,9	18,6	19,3	19,6	23,3	23,4	27,3	27,5
West	17,3	14	18,4	17,8	15,7	16,4	19,2	19	20,1	21	20,2	24	27,3	19,8	17,4

*Source of data: Romanian National Institute of Statistics, Tempo-Online database.

If we are looking at the data about the persons discouraged to find a job, provided by Romanian National Institute of Statistics, Tempo-Online database, we can notice that young individuals aged in between 15 and 24 years are in the worst position (Table V).

Table V. Dynamic of discouraged person to find a job (15-24) by gender, 2002-2016 (persons)

	Year														
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total	102883	112994	101544	88671	54586	42191	21921	39367	54101	57484	50101	55347	50000	38061	41418
Female	52811	64735	60053	46921	25417	19961	6713	16354	28438	36790	32224	34145	30430	23237	25147



Male	500 72	4825 9	4149 2	417 50	2916 9	2223 0	152 08	230 13	256 63	206 94	178 77	212 02	195 70	148 24	162 71
------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------

*Source of data: Romanian National Institute of Statistics, Tempo-Online database.

With the age increase, the number of discouraged person to find a job decrease. All this findings show that youth unemployment is a major problem in Romania that requires attention from the researchers and policy-makers. Unemployment it seems to be an inevitable step for a large number of young individuals. This situation is dangerous and leads to negative long-term effects from economic and social point of view. As Dănăciă (2014) underlined, a break in the normal cycle, from school preparation to employment, reduces the knowledge acquired during the studies and leads to a depreciation of self-esteem, exclusion and a significant economic loss of the unused part of the young workforce.

III. POVERTY IN ROMANIA

According to Eurostat database, in 2015 and 2016 (provisional data), Romania has one of the highest percent of people at risk of poverty or social exclusion from EU28. Young people aged in between 15 and 29 years are a vulnerable group regarding poverty and social exclusion in EU28 and especially in our country. As we can notice from table 4, the age group 15-19 years is in the worst position. Correlated with the above presented results, we can conclude that young people are a vulnerable category in general and the individuals aged in between 15 and 19 years in particular.

Table VI. The dynamics of the people at risk of poverty or social exclusion (%) in EU28 and Romania, 2007-2016

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
EU28										
Total	-	-	-	23.7	24.3	24.7	24.6	24.4	23.8	-
15-19	-	-	-	29.6	29.1	31.0	31.0	30.8	30.6	-
15-24	-	-	-	29.5	29.6	31.4	31.6	31.5	31.0	-
15-29	-	-	-	27.2	28.2	29.6	29.6	29.7	29.2	-
Romania										
Total	47.0	44.2	43.0	41.5	40.9	43.2	41.9	40.3	37.4	38.8*
15-19	48.3	51.1	48.4	47.3	48.1	52.1	51.6	53.4	53.1	51.4*
15-24	45	45.9	44.7	43.8	46.1	49.9	49.6	49.8	47.8	48.1*
15-29	43.3	43.1	42.8	41.6	43.5	47.4	46.6	45.5	42.8	44.3

*provisional data. Source of data: Eurostat database.

If we look at the database of Romanian National Institute of Statistics we can notice that the relative poverty rate is the highest for individuals aged in between 0 and 17 years (38.1% in 2005, the most recent data). Unfortunately we do not have a statistics about the relative poverty rate for the age groups [15-19], [20-24], [25-29] or of data about inequality income by age, however we can assume that young people are again in the most disadvantaged position, especially the 15-19 age group.



IV. CONCLUSIONS

The aim of this research is to analyze the link between poverty and youth unemployment in Romania. For this preliminary descriptive analysis we can clearly notice intercausality between the two variables, unemployment of young people and poverty. As a next step, we will deepen our analysis and we will use econometric models to test a potential Granger causality between them. Young people is a vulnerable group on the labor market, especially the individuals aged in between 15 and 24 years, and this group needs a special attention and viable measures to help their labor market integration and to avoid the risk of poverty and social exclusion. Unfortunately, self-employment and other atypical form of employment are very poorly developed in Romania and do not appear to serve as an alternative for young people first-time job seekers. We also emphasize the need for viable strategies focused on job creation, labor options, quality education, eradication of poverty and personal development opportunities to allow youth population to successful labor market integration and a decent standard of living.

REFERENCES

- [1] Bartlett, W. - Uvali, M., *The Social Consequences of the Global Economic Crisis in South East Europe*, London: LSEE - Research on South Eastern Europe, 2013.
- [2] Bilan, Y., "Labour Migration of Ukraine's Population: Scientific and Public Discourse", *Transformations in Business & Economics*, 13, pp. 196-208, 2014.
- [3] Buckley, P., *An Unbalanced Age: Effects of Youth Unemployment on an Aging Society*, available at: <https://dupress.deloitte.com/dup-us-en/economy/issues-by-the-numbers/effects-of-youth-unemployment-us.html>, 2015.
- [4] D'Addio, A.C., *Unemployment Duration of French Young People: The Impact of Individual, Family and Other Factors on the Hazard Rates*. Tinbergen Institute Discussion Papers, No. 98-069/3, 1998.
- [5] D'Agostino, A. - Mealli, F., "Modelling Short Unemployment in Europe". Institute for Social & Economic Research Working Paper, 06, 2000.
- [6] Dănăcică, D., *Cercetari privind Durata Șomajului și Probabilitatea (Re)Angajarii/Researches regarding Unemployment Duration and (Re)Employment Probability*, Postdoctoral thesis, Bucharest: Romanian Academy Publishing House, 2013.
- [7] Dănăcică, D., "Determinants of Youth Unemployment Spells And Exit Destinations In Romania And Hungary", *Acta Oeconomica*, 64 (3) pp. 335-356, 2014.
- [8] Gregg, P. , "The Impact of Youth Unemployment on Adult Unemployment in the NCDS", *Economic Journal*, 109, pp. 626-653, 2001.
- [9] Gurbuzer, L.Y. - Koseleci, O.K., *What Hides behind Extended Periods of Youth Unemployment? Evidence from Bosnia and Herzegovina*. Available at <http://econpapers.repec.org/paper/halcesptp/hal-00308629.htm>, 2008.
- [10] Mroz, T.- Savage, T.H., "The Long-Term Effects of Youth Unemployment", *Journal of Human Resources*, XLI, pp. 259-293, 2006.
- [11] O'Higgins, N., *Youth Unemployment*, IZA Policy Paper No. 103, available at: <http://ftp.iza.org/pp103.pdf>, 2010.