

Youth Employment in Romania - Trends, developments and issues under debate

Thematic article in the frame of the Autumn Review of the European Employment Observatory

Introduction

This thematic article will attempt to cover the main trends and developments regarding youth employment and the issues facing youngsters in accessing a labour market which has passed, in the span of fifteen years, from a centrally planned to an emerging market economy, as such completing the epic journey from Plan to Market.

This fifteen years interval that marked not only Romania's and Central and Eastern Europe's history but in a sense reshaped the history of Europe as a continent and as a political and economic entity and one could even say of the World itself, has had a tremendous impact upon lives and careers of the younger generations, in effect the ones that are largely responsible for bringing up the big change.

It is Romania's peculiarity in this process, that the generation of the mid-late 1960's, the largest in its Post WW-II history, which came to the world in such big numbers largely due to a discretionary pro-birth decree issued by the Communist regime, was actually the one that brought about its perish, by being at the forefront of the December 1989 Revolution and subsequently of the changes that marked the country's evolution throughout its first crucial years of democratic and Plan-to-Market transition.

Thus, a generation that has never known nor was it educated for capitalism and liberal democracy, which are essentially the two sides of the same coin, was the one that had to march through the changes, to experiment them and adapt to them, learning mostly by doing while in the meantime striving to seize every bit of opportunity it found.

While this generation has managed to seize some of the opportunities offered by transition and one can now retrospectively say that they were quite many although sometime hard to spot, another large generation, the one born in the 1980's, at the height of the communist regime final crisis which, for Romania squarely translated as near-famine and which was in its early childhood when changes started to sweep around, had a harder time as it had to cope with an environment that was and actually is, on the one hand less volatile, which is generally good but which, on the other hand, cannot yet offer enough opportunities to match their expectations. These expectations, unlike those of the 1960's generation, are set at a far higher mark and as such harder to meet.

As some of the opportunities available, mainly in education and training, for the nowadays 15-24 are beyond the wildest dreams of the young adults (i.e.: the 25-35) that make the bulk of Romania's labour force, some of the constraints these youngsters face on the domestic labour market are, if not harder, of a totally different sort than the ones the generation of 1989-90 had faced and had to cope with.

While these new challenges and sometimes even hurdles are “of the good ones”, in the sense that they are associated with the country's progress towards a fully fledged market economy, soon to be part of the EU, they are nevertheless daunting for the young.

Taking into account the above, the paper as such will seek to examine some of the labour market and associated problems confronting the young generation in today's Romania, look at the measures enacted and applied and analyse some of their strengths as well as weaknesses, with a view to assess the perspectives and draw some conclusions, which although by no means exhaustive, will try at least to shed some light on the path to follow forth.

While strongly immersed into the Romanian reality the paper will also build upon into the EU Integrated guidelines, the Lisbon Strategy as well as on the highlights of the Romanian JAP and JIM processes both of which, strongly emphasise the issues of youth employment and more generally of the socio-economic integration of the youngsters in today's Romania mainstream economy and society.

I – TRENDS

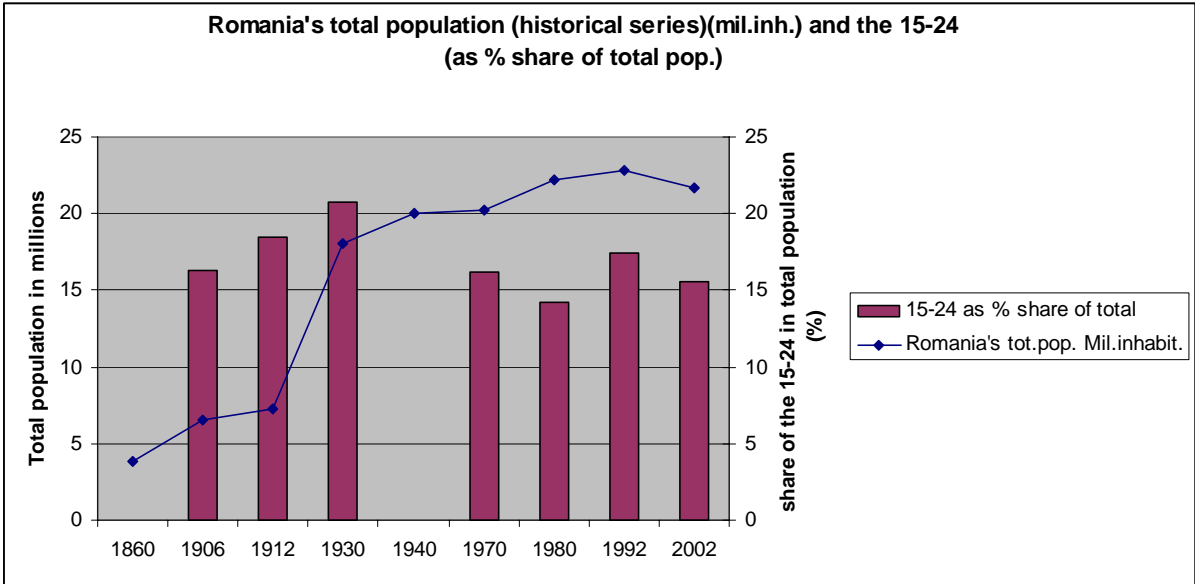
Almost a century ago, in 1906, a brilliant statistical monograph written on the occasion of King Charles' (Carol) the 1st 40th jubilee, emphasized in its demography chapter that in no country in the Europe of the times, was the young population more numerous than in Romania, while in the meantime, in no country of the continent as it was politically shaped at the time, were the elderly, so few in their number.

At that time, Romania's population, still a young nation in Europe was one of the fastest growing on the continent, albeit at the cost of high child mortality and relatively low life expectancy at birth. But still, the fact that population was growing so fast and that its crude birth rate more than surpassed the losses incurred by child mortality and low life expectancy at birth showed that the country was on the right path of development, a fact actually poignantly revealed by the overall growth of the population which, in less than half a century, shot up from 3.12 million inhabitants (1866) to 7.21 million in 1912.

In spite of large human losses as a result of WW-I, the union of all Romanian lands and very-high birth rates, made Romania score in the mid-thirties, according to Sabin Manuila, founding father of the Romanian National

Institute of Statistics, first on the continent with regard to this basic demographic measure. As such, population remained young even in spite of a birth deficit during WW-II.

Chart – 1



(Source: Historical statistical data processed by Dr. C.Ghinararu)

However, as the communist regime took over the country in the aftermath of WW-II and unleashed a wave of terror and destruction, the fifties did not witness in Romania a baby-boom. On the contrary, coupled with a permissive legislation on abortion which, at the time counted as the only “family-planning” technique, birth rate entered a period of decline. In the meantime, while urban population and labour force remained relatively young, the rural environment entered a fast process of ageing which affected both population as well as the labour force. This process which peaked in the late eighties, when those aged 65 years of age and over counted in some “judets” (counties-territorial administrative units into which Romania’s territory is divided; 42 of them currently plus the Bucharest Municipality which forms a special administrative unit) south of Bucharest for more than 17% of the population. This was largely the result of forced industrialization, a policy promoted with disastrous results by the communist regime for almost half a century.

As birth rates were already faltering due to widespread poverty as well as due to the inherent instability and general precariousness of everyday life in a totalitarian state, the regime enacted in 1965 a decree which practically denied individuals the right to “family planning” and prohibited abortion in general, with the sole exception of medical emergencies. As a result of this administrative measure, Romanian acknowledged its “Post World War II” baby-boom in the mid-late sixties, with the largest generations being born in between 1966-71. The country’s age pyramid clearly shows this, with the age-group now

between 35-41 counting as Romania's largest segment of population and the backbone of its labour force. Nevertheless, testimony to the inept economic policies followed by the communist regime birth rates started to fall again beginning with the mid-seventies. Consequently, in the early eighties, abortion, even medical ones have been totally prohibited and with them any kind of family planning. As a result of these brutal policies, a new so-called baby-boom ensued, one that simply devastated a country already in the grip of a severe economic crisis made even harder by food shortages of all kinds. With medical supplies scarce, Romania returned to high infant mortality rates and even reached an unwanted record, that of being Europe's nation displaying the largest number of HIV positive children. Most of these children have been born in rather destitute households and thereby after 1989 they simply fed into the phenomenon of "street children", which, albeit at far lower levels than in the early nineties, still plagues the streets of Bucharest and other large cities.

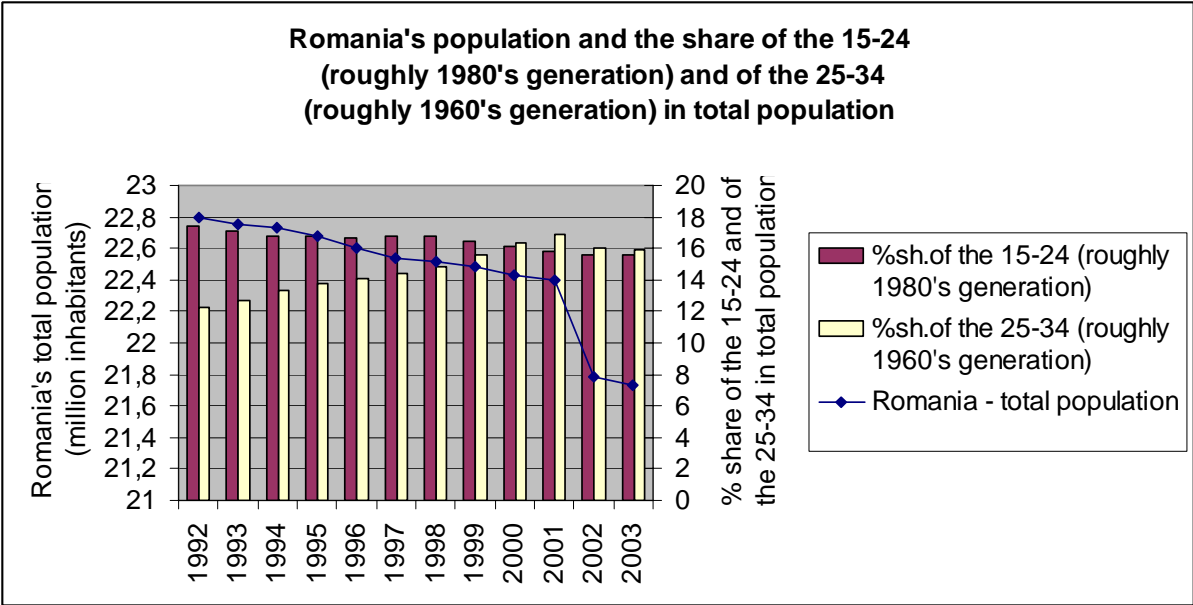
Due to these two brutal, shock policies, pursued by the communist regime, Romania entered the nineties and thereby Plan-to-Market Transition with a large population aged 15-24 and also with a large number of less than 15 years of age, which gradually fed into the 15-24s during the nineties and first years of the current decade. However, this served to little from the socio-economic point of view if it did not practically aggravate the country's more than precarious general state. After a period of such harsh restrictions, liberalization of birth control has simply sent abortion rate sky-high and birth rate plummeting. Adding to the demographic woes of a transition that was to last longer than in any other country of the former Eastern Block (it took Romania eight years to reach the threshold of the "critical mass of progress in transition") migration rose steeply during the first two years of the nineties also as a reaction to the fact that previous to 1989, Romanians were practically banned from travelling outside the countries of the former COMECON.

Falling birth rates that persist to date and high emigration during the first years of transition (since then emigration per se has declined to levels that are normal for any country but instead migration for employment abroad also known as temporary or irregular migration has taken its place) have led to a sharp decline in the country's population which, from well above 22 million at the 1992 Census, lost more than 1 million over a decade and thereby counted no more than 21,6 million at the 2002 Census. Moreover, the country's 15-24 population while still held high by the continuous entry of 1980's cohorts, also entered decline with the start of current decade, as generations born in the eighties are gradually leaving it and it is entered by the small generations born after 1990. It is to be said, although data are scarce, that a large part of the early 1990s emigration consisted mainly of youngsters, though mostly from the cohorts born in the mid-late 1960's which means that to a certain extent, at least demographically, they were replaced by the 1980s generations. However, a

sizeable amount of human capital has been lost as usually the ones that left had education and a qualification level well above the average.

One can thus assert that Romania’s 15-24 population is still large which makes it a good reservoir for the labour market but as we advance towards 2010, it will start diminishing as most of the large generations of the eighties will pass over its upper-end threshold. This will give the country a respite of some twenty years, a period when working age (i.e.: so-called adult, 25-50) population will be at its height. Still, it has to noted that in economic terms, this respite is not long and as such, if it is for current generations in the workforce, especially the large ones born in the mid-late sixties, to enjoy a free-of-poverty old age, then something has to be done, in order to improve labour market participation and above-all employment for the 15-24.

Chart – 2

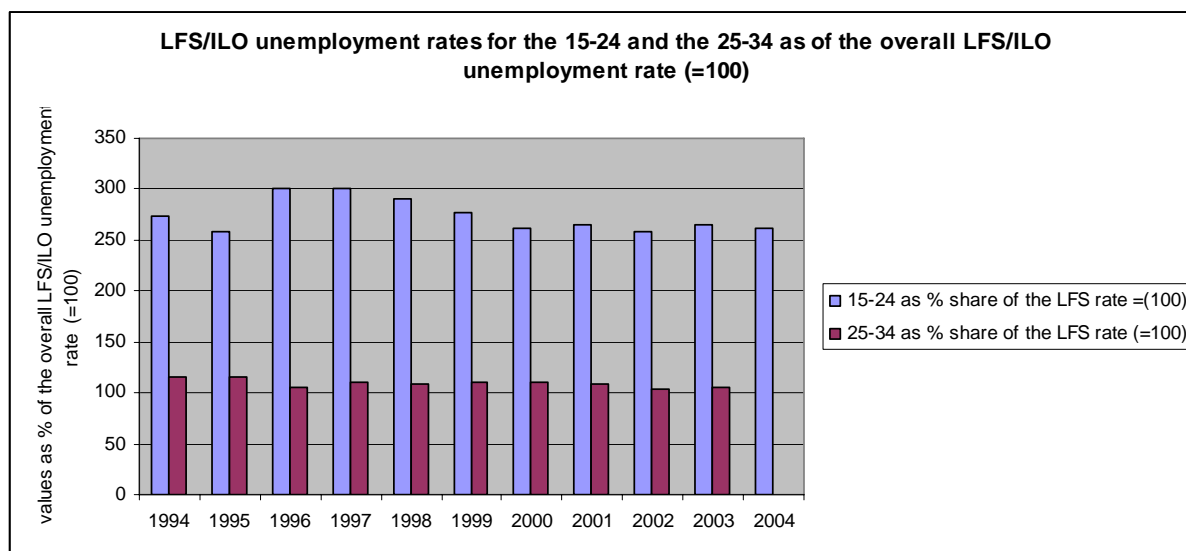


(Source: National Institute of Statistics of Romania data, processed by Dr. C. Ghinararu)

Labour market evolutions throughout transition years have not been particularly favourable for the 15-24s of the time but one cannot say that they have been faring worse than the others. While employment levels kept declining throughout the nineties as a result of restructuring, employment rates of the 15-24 did not fare particularly bad. Especially youngsters that could capitalize on a high level of education and training and were willing to work hard have witnesses something that could easily qualify as a “once in a life-time window of opportunity”. As new realities have forced some of the older elements of the labour force to withdraw taking advantage of lenient policies for early retirement, youngsters easily filled in either positions previously held by the retirees or new positions that appeared as a result of the changes sweeping through the country’s economic and socio-political landscape. On the other

hand, while shedding light upon the bright aspects one should not forget that, the “young and bright” were few and that most of the ones now in the age-group 35-45 did not have higher education at the time when changes started and thereby could make little use of the opportunities offered by the reforms. Moreover, the belief still held at the beginning of the nineties that the supply of jobs is something cast in stone to a certain extent and that simply sending the elderly to early retirement will free jobs for the young, proved, as it had to, utterly wrong. Jobs which were thus vacated simply vanished as result of much-needed restructuring or outright closure of communist-era factories. Early-retirement served at nothing but to burden the country’s public pension system and did almost nothing to improve the employability prospects of the youngsters. Nevertheless, as they were the generation coming fast behind, the 15-24s of the nineties filled whatever jobs have been generated, especially if they were “green-field” jobs and managed to cling there, having acquired much needed expertise. Situation grew however worse for the generation of the eighties that came behind this first wave, just to find that the majority of good jobs have been already filled in and although growing for more than five years in a row and at a fast-pace sometime, the domestic economy is still not capable enough to generate jobs and mostly attractive, well-paid jobs. As such, the quasi-paradoxical reality of fast-growing economy, a declining overall unemployment rate and even a stabilizing employment rate but a growing youth unemployment rate.

Chart – 3



(Source: National Institute of Statistics of Romania data, processed by Dr. C. Ghinararu)

A paradox that is nonetheless easy to explain. While during the 1990s, generations of born in the eighties were in school and took advantage of the schooling opportunities to stay there longer than previous generations did or had

the chance to do it, beginning with the early years of the current decade they started slowly to enter the labour market and thus, as they found insufficient employment opportunities, unemployment within their ranks swelled. The situation as such will continue as the years to come are going to witness the peak of labour-market entry for this large generation. They are better qualified than their parents and sometimes even than the 35-45s, who now hold the best jobs on the market mostly due to hard-earned experience. However, these youngsters will find preciously few jobs to match their knowledge base and thus the share of the underemployed, defined as those employed in jobs below their formal level of education and qualification is bound to grow for the period to come.

This poses serious problems as every year that passes brings the short respite Romania has in demographic terms closer to its end. The large mass of working age will slowly start getting older and if new generations either start late their working life or start it at and sometimes continue it at low income levels, often even outside formal social security nets, then the picture will become bleak as current commitments with respect to public provision of health services, education and especially social security in the old age will become hard to maintain. Thereby, with overall employment predictably on the decline for the next period of time, albeit at an incremental pace, employability of the younger generations will have to increase or otherwise the social security and welfare system will crumble.

It has to be unfortunately said and next chapters will illustrate it, that policies pursued up until now fail to give the right solutions and thus they do not only waste scarce resources but also precious time and in the end the potential of young generations. Therefore, the current paper will argue in its next chapters that such a course has to be reversed, especially with regard to the education and training policies, which are paramount for the labour market and wider economic and societal integration of the young. Otherwise, the respite we mentioned above will draw to a close and then, there will be preciously little left to be done.

II – MEASURES TAKEN TO PROMOTE YOUTH EMPLOYMENT

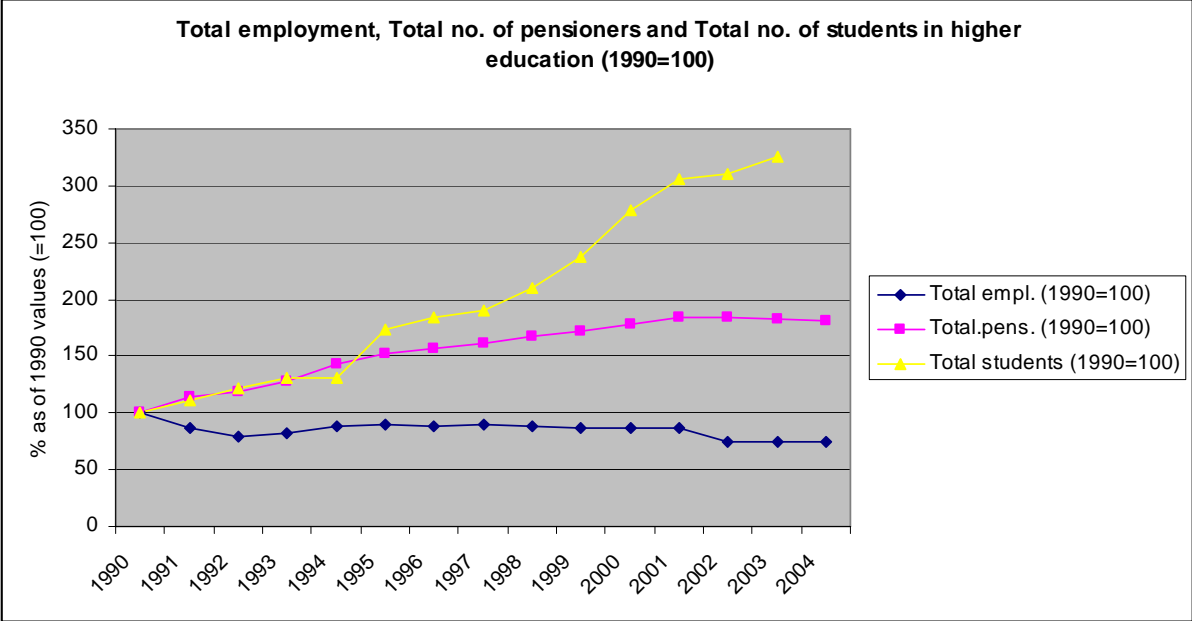
a) Education and training policies

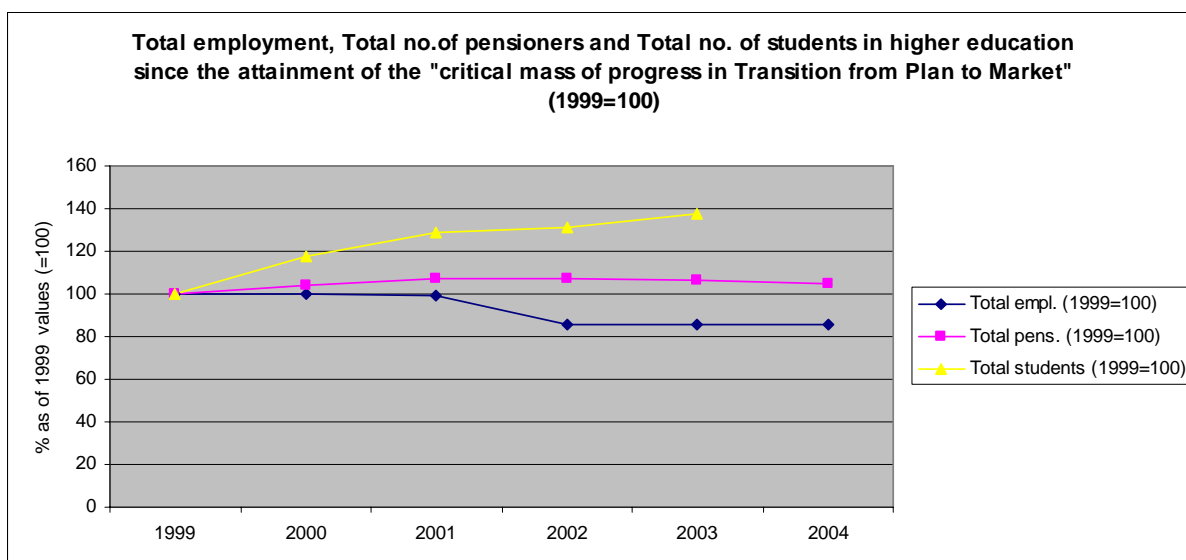
“One should first learn how to walk and only then attempt running” goes a worldwide known saying. Nevertheless it seems that there are plenty of people around that would like to delude themselves by thinking that if they are stumbling down at a fast pace they are actually running. The only thing they would manage to do is simply to get crippled. As such, education policies as well as training ones that are aiming too high, while leaving their foundation in near shambles or while deluding themselves that foundations are solid while

they are actually made of sand, will turn from underpinnings of development into hindrances of it.

At the end of the eighties Romania’s labour force had one of the lowest educational and qualification levels in Europe. The country had the lowest number of students and their structure was so distorted that it almost denied from this point of view any chance of capitalist development, due to the quasi-complete lack of professionals in economics (i.e.: not accountants but ECONOMISTS!!!), management, law and other liberal professions that are at the heart of an economy based on competition and of a society based on the rule of law. The largest part of the country’s higher education specialists were engineers and the largest number of students were concentrated in technical/scientific faculties and colleges but point is that most of them were ill-trained due to a lack of funds and proper facilities (laboratories, experimental sites etc). Even for this small number of higher-education specialists jobs were hard to provide. The ones that were provided via administrative channels that were typical for a centrally planned economy were economically not viable in most cases and therefore structurally precarious.

Charts – 4&5





(Source: National Institute of Statistics of Romania data, processed by Dr. C. Ghinararu)

As such, the choice of the policies would have been obvious, train more but not on a mass scale, in the liberal professions, ensure that the few ones that are concentrated in technical/scientific colleges get the best and mostly look after the fundamentals like high schools (lycees) and vocational schools so that the workforce would get good basic training and especially get practical training in those industries, be they even low value added ones for the beginning, that would have a market. Moreover, see that the number of teachers does not get inflated and that the education system is not used to cushion industrial restructuring.

Exactly the opposite has been done. While well trained teachers and professors took the first opportunity of the newly found economic and labour market freedom to flee a system that offered them no chance at all, a plethora of individuals laid off from large state enterprises, of dubious training and with no pedagogical skills, let alone training of any kind, filled in the vacuum, by taking advantage of the fact that large cohorts of children, a result of the pro-birth policies of the eighties, were still filling their classrooms. In the meantime, the state embarked on a massive move that led to an inflation of public-funded universities, forgetting that it had neither the logistics nor the human resources and that the few financial resources available were thus wasted to create universities in localities that could not possibly host them (e.g.: in a range of less than 100 km from Bucharest, the country's largest University centre, with all the specialties and colleges and with a host of private Universities, the state is maintaining no less than four (4) other publicly financed University centres, most of them created or at least vastly expanded after 1990!!!).

As such, the number of students markedly increased throughout the entire period that spans from 1990 onwards, despite or in spite of the upturns and downturns of the economy. Against this background, a host of private Universities also sprang up, some of them boasting reasonable quality of the

process but most of them being simply “diploma-factories”, irrespective of their formal status, of accredited or non-accredited Universities. These developments which emphasized quantity over quality, in a time of scarce resources and in a domain that has to be characterized by responsibility and which has to look first and foremost towards the interests of the youngsters and not towards the interests of its various pressure groups, squarely qualifies the Romanian academic environment as a hotbed of corruption.

Consequently, although Universities now have a high degree of autonomy, enshrined in the law, some of them boasting partnerships with Universities in the E.U., U.S., Canada or Japan, offer a large variety of programs and starting from this university year (2005-06), officially embarked, both in the state as well as in the private sector, on the implementation of the Bologna Process, most of their graduates have a hard time finding a job. For those graduating from such seemingly “soft” subjects as economics and law, specialities which have been abused and turned into an “academic industry” as they apparently require little investment to function, times have got especially hard. The number of those that have to take a job far-below their qualification or simply contribute to the swelling ranks of higher-education unemployed has increased during the last years, as graduates from the large series of the late nineties and early years of this decade enter the labour market. For most of them, migration for employment abroad is the only solution.

Thereby while enrolment in higher education and in lycees has been growing steadily throughout the transition period and thus prevented an early growth in youth unemployment, which would have been hard to tackle at the height of industrial restructuring, now, the bill for such misguided, foul policies is due, with these large masses of graduates having a hard time in finding a job. A suitable job is usually a far-fetched dream and if it becomes true it might as well be in the shadow economy or involve practices that are akin to it (i.e.: envelope payment which in the long-run have a damaging effect on the employee’s contributions to the mandatory social security schemes, with special regard to pensions where the new system enacted in 2000 and applied commencing with 2001, creates a stronger link between contributions and the amount of pension a person will get at retirement; Thus, lower contributions as an effect of lower nominal salaries deriving from the practice of “envelope payments” will eventually yield lower pensions!!).

School-drop out rates are seemingly on the rise in Romania especially for the group below the age of 15 but it is hard to say if this is a late tendency or it has been only observed later when some basic awareness to the phenomenon has developed. In order to prevent drop-out at an early age the “State Child Allowance” the social benefit with the largest possible coverage in Romania has been tied with school attendance from the early stages of transition. This has been proven to a certain degree a success but while it guarantees attendance it does not guarantee performance, especially when teachers are drawn from the

least trained in their profession or when they are “substitution” staff with little training if any whatsoever, that just try to make a leaving while being actually incapable of proper teaching. Another program that has been aimed at children from marginalized, destitute communities, with a special focus on communities where Roma population lives in compact masses and where school-drop out was the rule, is the so-called “Milk and Muffin” scheme. Introduced by the former Social Democrat Government it gives an incentive for school attendance at least until the 8th grade (the age of 14), by providing pupils with a cold snack throughout their classes. It worked seemingly well in destitute communities and as such is still functioning.

As part of the wider reform process, schooling has been made compulsory up to the age of 15, which means that every youngster can complete a nine grades cycle. The so-called “capacity exam” has been replaced by national tests at the end of the 8th grade after which two alternative routes of schooling develop: one that is the so-called theoretical, general training, thus taking place in lycees (high-schools) and a second one that takes place in the so-called “Arts and Trades Schools”. This is an alternative route, part of the Technical Vocational Education and Training (TVET) system and which is supposed to ensure a specialized vocational and education training. Both routes lead to the final “baccalaureat” exam, thus providing their students the possibility of furthering their education (i.e.: enrolling in higher education). Although the two routes are presented by officials in the Ministry of Education as being alternative one to the other, truth is that the first actually makes the upper-tier of the system while the second one is its lower-tier. Parents and children alike strive to get into the first route and as such a parasitic industry of “private (i.e.: home) lessons” (in place long before 1990 as the communist system of education was a shamble) thrives. It is here that students from rural areas emerge as net losers of the system. They are less affluent and do not have access to private or actually “home tuition”, in most cases provided by school teachers in their spare time, to complement their salaries. Also, as the best teachers providing also the best-quality home tuition and often having the “connections” to get their “private students” into the much-wanted “renowned lycees” are concentrated in cities, children from rural areas lose again as they combine lack of finances with the lack of access to good-teachers and of course the obvious “lack” of connections. Thereby, as long as reform in education does not succeed in dislodging this hard-core of vested interests that feeds into a profligate industry of “home tuition” which is actually just a disguise for crude corruption, patronage and cronyism, all the so-called progress made can only be counted as “on paper”.

Second-chance programs have been also a recent innovation of the Ministry of Education, although it is still rather early to assess their “real” results. They nevertheless provide youngsters, especially the ones having a background that puts them at a disadvantage, with a chance to complete their studies and at least

to obtain a minimal certified level of education which will give them access to a form of vocational training.

Meanwhile, as the National Adult Training Board (the NATB) has structured its activities and has received enhanced prerogatives, another initiative, long demanded by the society as a whole and especially by the representatives of the social partners, has finally taken shape. This provides for the recognition in the world of work of all knowledge and skills that have been acquired by a person throughout his or her working life, irrespective of the way in which they have been actually acquired. Recognition is made via examination, mostly practical. Though its application has been of a recent date, it seems that results are encouraging. Also, as the accreditation of training providers is progressing, albeit in accordance with a system that looks as thwarted towards the levy of yet another tax rather than in accordance with a system destined to buoy improvements in quality.

Modular approaches to vocational training are now encouraged. All training providers have now the possibility to certify not only the graduation from a full training course, but also graduation from distinct modules of a training program (i.e.: course), provided that a person can prove that is capable of attending solely this or that specific module and as such get a certificate only for it.

On the other hand, the amended version of the Labour Code, while trying to be more employer friendly than the initial one, lessens the obligation of the employers, especially of the small and medium ones, currently accounting for the bulk of employment, with regard to vocational training. As such, a manifest tendency to avoid the private sector as an employer, especially if you are living in a small or medium sized province town where the large private employers (i.e.: multinationals) are in scare supply. Thus, the absence of career possibilities in most private companies, create a disproportionate and by all means unfortunate drive of the youngsters towards the public sector, even if the jobs they can get there are below their qualification or sometimes have nothing to do with them. This in turn breeds rampant corruption, fuelling into an already existing, albeit magnified with regard to reality, feeling of discouragement, deception and discontent among youngsters thereby feeding into growing flows of migrants for employment abroad.

While nobody can deny the progresses that have been achieved so far in the betterment of the education and vocational training system as a whole and in improving its links with the labour market, still at the heart of the whole issue lies an enormous mistake which is nothing more and nothing less than a sad reminiscence of communist propaganda. This was asserting Romania as an “industrial power”, at the “cutting edge” of technological development and thus in need of brainpower to be supplied amply by Universities. Of course and by all empirical evidence this was wrong. Romania truly was once a prosperous country in Europe as the majestic buildings still adorning the centre of Bucharest testify but, four decades and a half of communist dictatorship and central

planning have brought the country to its knees. Far from being at the “cutting edge” of technological development the country strives to meet its basic needs. Therefore, too much investment in higher education will yield the country few benefits if any at all. On the contrary, it will breed deception and discontent among young generation that will find their aspirations impossible to meet on a domestic labour market which is far from the “cutting edge”. As the economic theory goes, competitive advantages differ both in type and in nature in accordance with a country’s level of development. What might be or become a competitive advantage for an economy at the “cutting edge” of development might as well turn to be a waste of scarce resources and a liability for a country that is far from that threshold. Accordingly, instead of investing and encouraging the development of higher education system, with special regard to the public one, which would be useful at little except for maybe saving some developed economies their own investment in education, the country should better turn its attention to its crippled secondary education system. All reform done here and all investment in infrastructure now largely covered by local communities will prove good at nothing if more attention is not going to be paid to a genuinely competitive system of human resources (teachers, educators, pedagogues and other staff) recruitment, selection, retention and development for the secondary education. One should stop thinking about public education as a “hidden tier” of the social protection system, for it is not and it should not be and rather treat it as “business”, oriented towards the true, real needs of the market, both the future ones but also the ones of the present (the near and mid-term future might not be as different from the present as we might think and it is usually for this “future” that most of the training takes place!!!) The new law regarding quality in education makes in this respect a step forward and if applied properly should yield some results. In the meantime, it is more than clear that the country has to rid itself, no matter how painful that might be, of its plethora of inefficient, small public universities that have mushroomed during the murky first years of transition. The process of consolidation of public-financed universities into large, efficient, high-quality and research oriented university centres (clusters), aborted a couple of years ago due to the opposition of vested interest has to continue. This will free important resources and will diminish the unhealthy flow of youngsters towards low-quality university education (“the diploma factories”) that has done and still does so much harm to the labour market.

b) Labour market and employment-related policies

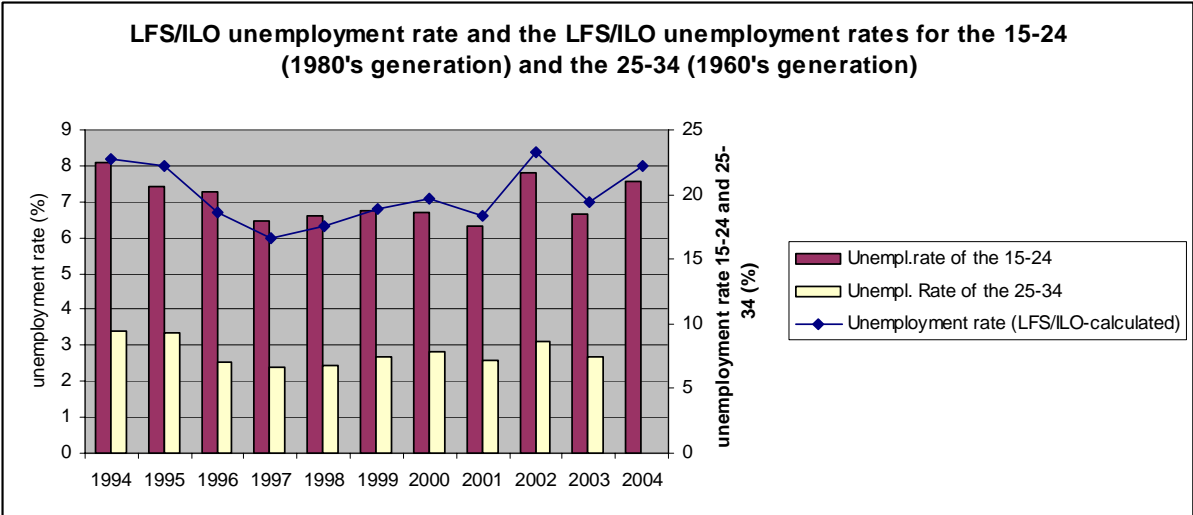
A recent opinion poll conducted for the Romanian branch of George Soros's Foundation for an Open Society revealed, unsurprisingly however, that in Romania, jobs are few in number, in most cases badly paid and involve hard work, with the latter defined either as physical effort or as very long-working hour. In the meantime, the same opinion poll undertaken by the Gallup Organization showed that for more than 92% of the respondents, a good job overwhelmingly means the one that provides you with a good salary. Career opportunities, working conditions not mentioning opportunities for leisure time rank far behind the overarching demand for higher income and thus their existence, hardly defines a job in today's Romania as being a good one. This once again shows that the Romanian labour market suffers from a serious imbalance between supply and demand, with the supply being more than ample and sometimes more over-qualified for the needs of a demand which is still insufficient and sometimes utterly unattractive. The same holds for youngsters, duly defined as those aged 15-24, which in yet another survey, this time conducted for the British Council, have to a staggering 84% defined a good job as one that basically pays them a good salary. Job safety, which comes second both in the opinion poll conducted for the Soros Foundation as well as in the one conducted for the British Council, and which defines a good job for 89% of the Romanians, only defines a good job for a mere 35% of the youngsters.

Of course youngsters are more dynamic and sometimes even stormier than adults and they can as such disregard safety but this actually points to three, one could call them, "stormy issues" of the Romanian labour market, issues that disproportionately affect youngsters and to which ALMPs try to give a response, albeit a feeble one.

The first issue is goes to the argument that with a supply so ample and in most cases over-qualified, especially when it comes to youngsters why should somebody (i.e.: an employer) bother to pay decent when there are legions waiting at the doorstep. Paying more would if not nullify at least dent a lot of the labour cost advantage (i.e.: salaries that a fraction of the ones in the West) and which still attracts and to a certain extent holds a lot of the country's foreign investors. Paying more would mean that instead of ending up with fatter than the average profit-margins one would end with the same razor-thin profit margins that are sometimes the norm in the advanced economies of Europe and which owe an unfortunate lot to high labour costs. Thereby, pay as little as possible especially if your labour force is inexperienced enough and ask for a lot, as they would deliver. They desperately need the money and some experience. Moreover, do not bother to pay them the entire salary legally, resort to envelope payments, it will cost you even less.

When they will acquire some experience these youngsters will leave by themselves which, brings us to the second “stormy issue”, that of investing in human resources and providing a career. Most employers, with the few exceptions of some multinationals and of course of the public services again do not seem to bother too much about it. Whatever training they provide takes mostly place on the job or is strictly related to the job. Why bother as anyway employees usually have more than some basic training and they learn quickly enough. Of course there are signs of changes but they are preciously few. On the other hand, youngsters according to the same poll do not value much training and development opportunities at the workplace and duly consider that these as such are no prerequisites of a good job. This further shows that actually they are meagre and not attractive for career prospects.

Chart – 6



(Source: National Institute of Statistics of Romania data, processed by Dr. C. Ghinararu)

Finally, this brings us to the third “stormy issue” that of the career prospects as such, which will actually enable youngsters harness upon their far much better education and training background, but which is practically turned into a mockery by the uncertainty of the jobs. The fact that youngsters do not value much job security has not only to do with their inherent higher-than-the average mobility but also with the fact that “security” in the jobs that they are most likely to hold, especially when at the onset of their career, is not something they desire. As such, career turns into a hopping from one job to another, in an eternal search for a better salary, while leaving further education and training to personal initiative, as the individual knows what he or she actually needs in order to “keep on hopping” and finally to “hop across the border”, into a better paid job abroad.

If for youngsters with some degree of education and coming from an at least averagely endowed background, this labour-market hopping is possible, for

those coming from destitute environments or worse from communities or groups that are on the fringes of the society, often the only thing available is a dead-end job, with no career prospects and with a pay that acts actually as a disincentive for economic participation. For such categories, all the “stormy issues” presented before gather into a sometimes strong-enough storm.

This actually explains to a large extent why unemployment rates for youngsters are 2.5 times higher than the average. Youngsters do NOT find jobs, the ones that they find are largely unattractive and most of them offer no real career perspectives.

To alleviate these, a series of ALMPs have been developed throughout the 15 years since Romania has started its gradual return to a liberal democracy and a capitalist economy, most of them yielding at best what could be called mixed results.

As such, in the early nineties, while it became clear that there was no such a thing as a fixed supply of jobs in the economy, which could be filled by youngsters following waves of early retirement and as these vacated jobs were simply vanishing under the hard brush of restructuring, the Romanian Ministry of Labour has set up an incipient system of employment subsidies, aimed at young graduates. These subsidies, tied with respect to their amount to the minimum statutory salary, which at the time was growing apace with high inflation, were supposed to act as an incentive for employers and encourage them to hire young graduates, both high-school and/or vocational school ones as well as university graduates. For those graduating from high-schools and/or vocational schools a subsidy amounting to 60% of the minimum salary was provided while for the university ones the amount was 70% of the minimum salary. Of course this did not mean that employers had to pay the minimum salary but that this was the amount up to which salary expenses were subsidized by the state, for period of up to 12 months.

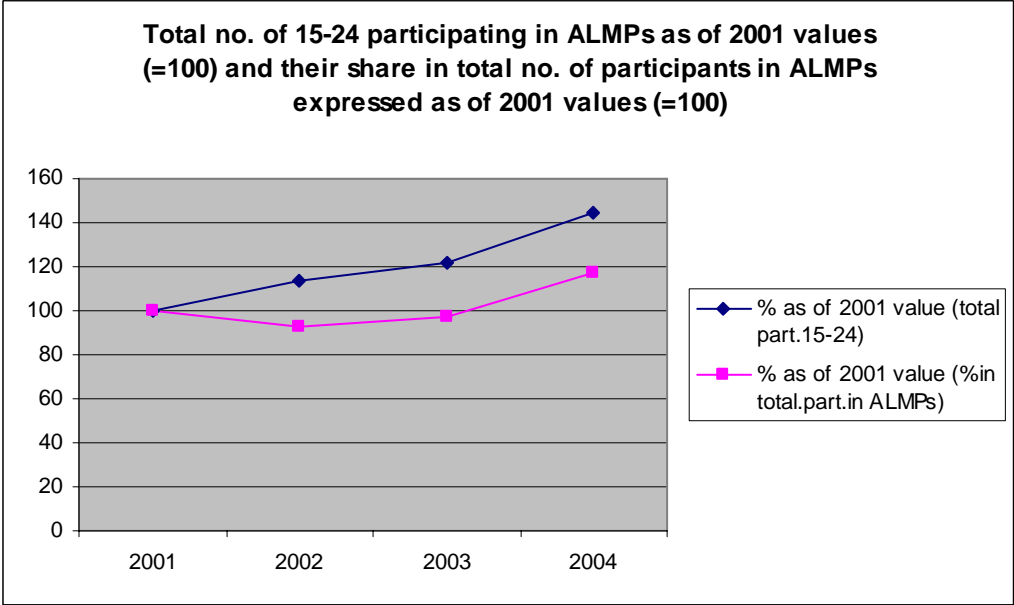
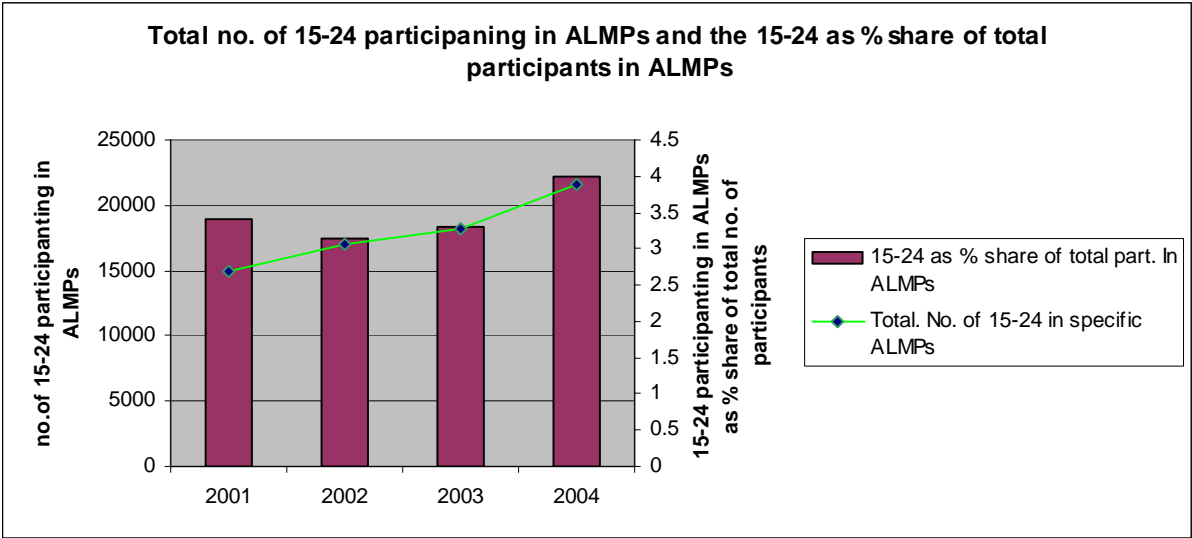
As restructuring and privatization have been speeded up during the late nineties, fact which has resulted in the current economic growth running without interruption since 2000, ALMPs directed towards promotion of youth employment have been sliding into the shadows. Top priority were, at the time, measures directed towards the mass dislocated workers and the alleviation of social effects stemming as such from much needed but nevertheless painful restructuring, made all the more painful by its belated start-up.

However, as mass restructuring processes were gradually fading away, the new Unemployment Insurance Act, adopted in 2002 (Law no.76/2002), turned again the spotlight on youngsters (the 15-24) by including a series of ALMPs specifically directed towards an increase in the employability of a group that has been acknowledged as being at a disadvantage on the labour market.

A series of measures sought to increase their employability as well as the attractiveness for employers of this particular category. Most of these measures are actually subsidies to be granted to those employers that do take on board

young graduates, youngsters belonging to groups deemed as “marginalized” (e.g.: youngsters coming from child care institutions, orphanages etc), or youngsters that have fulfilled their mandatory military service (the conscription system). These latter ones will be eventually phased out as Romanian Armed Forces will turn fully professional (the all-voluntary system), commencing with 2007. Youngsters from Roma communities (gypsies) are covered under schemes that are specifically designed for members of this minority which counts as a group facing multiple disadvantages and thus requiring special attention.

Charts – 7&8



(Source: National Agency for Employment-NAE data, processed by Dr. C. Ghinararu)

Subsidies have been again directed towards young graduates, both university ones as well as high school and vocational school ones, with the amount of the subsidy being tied to the minimum statutory salary but with the period for which the subsidy is granted to the employer being differentiated and lengthened up to 18 months or even in some cases to three years.

A special attention has been given to youngsters facing multiple disadvantages or coming from groups at high risk not only on the labour market but in the society in general. These are especially numerous inside the cohorts that are making the bulk of the 15-24 as brutal pro-birth policies pursued in the eighties by the communist regime led to an increase in the number of unwanted and abandoned children. As Levitt and Dubner argue in their famous but nonetheless highly disputed “Freakonomics”, unwanted children are more likely to display anti-social and sometimes even criminal behaviour and as the brutal anti-abortion laws of the eighties more than increased their supply, it is not surprising that the number of those displaying such behaviour in the current mass of the 15-24 is far much higher than in the mass of the 15-24 of the early nineties. They are the unwanted children of the eighties and the ones that have unfortunately emerged as losers of the transition, though only to a certain extent (transition as a whole is to be regarded and actually is a positive process, thereby whatever “losses” it might seem to incur and whatever “losers” might appear, are to be regarded as only transitory in nature) of course but this extent is high enough to give an impetus towards anti-social and even criminal behaviour at rates higher than the average.

It is towards these “marginalized” groups of youngsters that the provisions of Law 116/2002 (The Anti-Marginalization Act) are aimed. The Act brings about a special type of labour contract, known as the “solidarity contract”, under which salaries are subsidized up to 75% of the national average, to be paid to employers hiring youngsters that qualify as marginalized under this law. This applies if contracts are short-term ones (determined duration/fixed term). If contracts concluded as such are long-term ones (so-called non-determined duration/indefinite term) then, salaries paid to employees coming from the ranks of the so-called “marginalized youngsters” are eligible for a subsidy that amounts to 50% of the national average.

Another subsidy that also addresses youngsters is the one enshrined in the Apprenticeship Act (Law no.279/2005) recently passed by the Romanian Parliament. The Act, rooted in the provisions of the new Labour Code, defines apprenticeship on the one hand, giving it legal and meanwhile clear status, a fact which was missing and was discouraging, on the one hand. On the other hand, it clearly defines the apprenticeship contract as a distinct type of labour contract, under which a person that cannot be younger than 15 years of age but also no older than 25 years of age, can be hired by an employer and receive, while in employment training, both practical as well as theoretical. Salaries of the apprentices are eligible, upon demand from the employer, for a subsidy

calculated at 50% of the minimum statutory salary. Apart from this, employers that engage in apprenticeship activities and thus employ apprentices, receive an allowance covering expenditures incurred by the apprentices' theoretical training, to which the employer is obliged to give access. This allowance cannot be higher than 20% of the minimum statutory salary. As the law has just been passed, it is more than too early for any assessment.

Although most of these measures are and have to be hailed as innovative policies, their true problem lies in their actual take-up rate, both by employers as well as by youngsters. Neither of the two sides of the market seemed to be very keen in going through. Moreover, the PES themselves have shunned from them, favouring instead the so-called "Temporary Public Works Contracts", a measure that does little to improve employability but unfortunately does a lot in encouraging reckless spending from public authorities, while in the meantime also providing ample scope for political patronage.

On the other hand, while the PES themselves have not been very enthusiastically promoting these measures at which one can add the possibility of granting subsidized "business start-up credits" to students, for which no records are yet available with regard to the actual results, fact is that most employers view such measures with deep distrust. They have little confidence in the bureaucratic procedures they involve and fear that discretionary behaviour from civil servants as well as the frequent changes in the legislation will actually make them net losers in the end (i.e.: that they will have to give back all the money received due to the fact that, somehow, sometime, rather sooner than later, somebody, generally an auditor of the Court of Accounts, will find that money have been miss-spent and as such will call for their repayment, in most cases irrespective of the reality). In the meantime, it is also true that employers that really have good jobs to offer, jobs that are genuinely attractive for youngsters, do not apply for such measures as they do not need the subsidies and of course they have precious little need for the bureaucracy that goes with them. This leaves as almost-sole the applicants, those employers operating in low-value added industries, paying often the minimum statutory salary and which actually use subsidies as a further cost-cutting tool, trying to increase their profit margins while shunning investment in technology, organization of work or in the genuine development of human resources. It is therefore no wonder that youngsters try hard to avoid such employers and thereby further depress the number of ALMPs beneficiaries.

Further to these measures it is the enactment and subsequent application, starting with the 1st of Jan. 2005, of the now famous 16% flat-rate income tax. Apart from its role as an investment-booster for the Romanian economy and a tool for an increase in overall employment it has been also viewed as a way of increasing the appetite of the Romanian workforce, notably of its youngest segments, for a taking up a second or even a third job and thus increasing income. Theoretically this could have been one of its greatest benefits of the law

as the previous system of income taxation was particularly unfriendly to individuals having second or even third jobs, usually well-educated, hard working youngsters, willing to earn much and thus to sacrifice, at least for a while, vacations and leisure. The progressiveness of the previous system was thus not so much linked to the rise in income but to the addition of jobs (i.e.: workplaces) to such an extent that an individual earning the same amount from two or sometimes three jobs would end paying more in income tax than an individual earning the same amount of money but doing so by having only one job. Of course this meant that the individual having only one job was involved in a high productivity activity, although these are still preciously few in the Romanian economy, while the other was performing a series of low-productivity, low-yielding ones. Still, a certain amount of low-productivity, low-value added activities is needed in any economy, no matter how sophisticated it would be and anyway, engagement in low-productivity activities is preferable to inactivity. Moreover, it is hard to believe that youngsters, at the onset of their career or still during their study period, will have the chance to involve directly, if not in high-productivity activities than in high-income jobs. Thereby the mere decision of engaging in an activity, be it even a low-productivity, low-yielding one from the part of a youngster, should be welcomed and encouraged and not deterred and surely it must not be deterred by taxation and tax systems.

From this perspective, the flat rate income tax and its application should have been a true bonanza, meanwhile contributing to the surfacing of at least a part of the sheer amount undeclared work, with second and third jobs mostly qualifying as such (it has to be noted however that although qualifying as “undeclared”, these jobs were and are rather part of the “informal” sub-sector of the *non-registered/non-observed economy* than of its “underground” or worse its “illegal” sub-sectors). While seemingly this has been the case with an increase in the number of the registered labour contracts during the first quarter of this year (not to be mistaken as an increase in total employment as most of them are practically second or even third job contracts of the same person) the results are still largely inconclusive. This is due to the fact that, while youngsters do increasingly take upon part-time or fixed term contracts as a second job or third job, some of these, with exceptions of course, are in such low-productivity or incidental activities that subjecting them to any kind of taxation, be it even the flat-rate 16% one, would nullify any net additional gain in income for the person actually performing them. Therefore, one can conclude that while the measure is generally well suited and genuinely encourages youngsters to take-up a second or even a third job and to do so in the formal rather than in the informal sector of the economy, the very nature of these jobs makes them unsuitable for the formal economy. It is only with the time, as the economy will slowly but surely move up-market that these activities, suitable for a second or even third job, will become lucrative enough to qualify for the formal sector of the economy. It is also true in the meantime, that while from the pure taxation point of view the

flat-rate tax brings a palpable advantage to holders of an additional job, from the point of view of social security contributions not much has changed. Additional contributions, paid from incomes generated by additional jobs, to the public pensions and health insurance systems bring practically no additional benefits to these “hard-working” contributors. When looking at the pension system, although this has been reformed, at least from the parametric point of view so as to create a stronger link between contributions paid and the amount of pension received, it is still unclear how this system treats contributions paid actually on behalf of the same person, but coming from two different jobs. Although the National Pension House has promised to provide every contributor with a regular statement regarding contributions paid, which would be tantamount to a NDC-like system, this is still not the case. Moreover, as the public system is still a contribution-based PAYG, with no NDC provisions, it is unclear if a person paying contributions that derive from a number of different jobs and which will actually amount to a higher contribution paid and obviously a higher contribution-base, will get a higher pension or if simply he or she will derive a pension based solely on the amounts paid as contributions from his/her so-called main job with the consequence of having only these incomes used as contribution-base. This is made even more complicated as these second or third jobs are usually discontinuous in character and as such have to be counted separately for the contributory period. As activities in an additional job take place practically in the same period of time with the ones at the main job, just involving practically more working hours a day, they should actually allow a person to retire early, as it would have accumulate, due to the additional jobs, the statutory contributory period in a smaller number of years, or to derive a higher pension as practically his or her contribution base was actually higher. Until now, such issues have still not been clarified and it has been, sadly to say, little progress with respect to the provision of individual statements by the National Pension House to contributors. This acts as a net hindrance with regard to the encouragement of employment in additional jobs, of course via formal channels, especially for youngsters, which are genuinely the segment with the highest propensity to this particular type of employment. A good suggestion would be either to explicitly count these contributions with the public system and award higher pensions as more contributions have been paid and the contribution-base has actually been higher a higher contribution or allow for a rapid accumulation of the statutory contribution period. Else, of none is acceptable and the system will cling to its “purely inter-generational solidarity approach” and as such choose not to count these additional contributions coming from additional jobs, exempt them from contributions under the public system and make them eligible, on a voluntary basis, for the fully-funded DC systems.

Returning to our “stormy issues” at the beginning of the current paragraph, it is clear that neither the ALMPs nor the “fiscal reform”, as the introduction of the flat-rate has been hailed, are tools capable enough, at least in the short run, to

defuse them. As such, it is no wonder that youngsters, stormy by nature, choose *to storm* foreign labour markets in their legitimate quest for personal and professional fulfilment.

c) Problematic features of youth employment

Walking on the streets of Turin (Italy) the author of these pages had little need to use his broken Italian in asking for directions and this was due to the fact that practically at every corner and for sure in every bus or tram station he would hear and encounter a Romanian, generally aged between 18-24, though sometimes the author had the sensation that they were even younger than 18, to whom to pose the question in Romanian.

This anecdotal remark brings us to the single most important issue of youth employment in Romania, which is massive migration for employment abroad.

The phenomenon as such and to such an extent (supposedly, as no reliable statistics exists regarding the phenomenon, with data coming from the National Office for Labour Migration being just administrative records, there are in between 1 and 2 million Romanians working abroad, with different status ranging from legal emigrants to legal temporary workers on contracts to irregulars and ending with truly illegal workers) has never ever been recorded in Romanian economic and demographic history. The statistical monograph we were quoting in the opening of this article was even stating that Romania at the turn of the 20th century was facing a certain limited though, amount of immigration, which was by then a net contributor to its fast growing population, especially in the urban areas. In the 1930's, when the country's territory was having an extension that can be considered as similar to the one of today and following the 1930 Census, one of the most reliable in Romanian statistical history from the methodological point of view, Sabin Manuila, was pointing out in the opening of the chapter dedicated to migration that, while dealing with the topic as such, he will first of all rule out emigration as well as migration for employment as such a phenomenon practically did not exist !!!!

Building on these statistical-historical records, it is crystal-clear one could say, that the current trends, which developed throughout the transition period, are solely the effect of massive destruction, impoverishment and destitution brought upon the country by four decades of communist dictatorship and central planning.

While the early nineties were dominated by emigration per se which, actually implied a change in the domicile of the migrants, as the situation evolved and more possibilities emerged for individuals to go and work abroad for a while and then to bring their proceeds back to the country, emigration, which also became more difficult as restrictions imposed by the destinations countries tightened, turned into what is known as "irregular migration" or migration for employment abroad. This periodical movement which obviously takes

advantage of the free movement of persons Romanians now enjoy in the states of the Schengen Area, but also outside it, involves a legal exit from the country and also a legal stay in the destination country with the only illegal part being the fact that individuals engage in economic activities while being abroad. Apart from these irregular migrants there are of course legal migrants for employment abroad, though their number is rather small when compared to the estimated grand total figure, though, as previously said, nobody can bet on it. According to data made available by the National Office for Labour Migration, the specialized agency of the Ministry of Labour dealing with the issue, a grand total of around 45000 individuals benefited from its services and as such migrated legally for work in 2004, with another 8.3 thousands being processed during the 1st quarter of 2005. Of course these are only administrative records and no one knows how many workers are sent, also legally, using the framework of the accords signed between Romania and countries in the EU such as Germany, Spain, Hungary, or in the EFTA/EEA area with Switzerland, by private job-placement agencies. It is also a known fact that to a sheer extent, migrant workers leave the country as “tourists” and then subsequently engages in economic activities in the informal or underground sectors of the economies of destination countries. Significant shares of these migrant workers are youngsters as it is also the case for a significant share of the emigration.

This migration movement beyond the country’s frontier which is unprecedented in scale poses a host of problems. Of course as an effect of it a significant amount of pressure is relieved from the domestic labour market, which thereby depresses the unemployment figures, both the statistically calculated as well as the administratively calculated ones. Remittances feed into the domestic economy and help increase the size of the domestic market as well as its inherent solvency thereby making it a little bit more attractive for investors. Nevertheless, it is already an established fact that benefits brought by remittances are a mixed blessing and that building prosperity on such a shaky base is not an option to be considered.

Besides these somewhat doubtful advantages, obvious disadvantages are looming large, or so it seems. Ranking first is foregoing education by youngsters that leave the country almost immediately after graduating from high-schools or vocational schools or even immediately after reaching the age of 18 and thereby being entitled to a passport. This by all means that their education and training is incomplete and it is bound to remain as such as they will interrupt the educational cycle and the chances for them to resume it later are slim, in spite of any kind of “second chance” initiatives that might be implemented by authorities at home. As such and apart from the fact that even in the destination country they will remain trapped into the informal or even underground sector due to their low and sometimes inexistent qualification, there is the loss they incur to the country’s labour force by depriving it of valuable individuals with full work capacity and with potential for further education and training. This

potential will be, in most cases, lost, without any possibility of remedy (i.e.: after working in the West for some years none of these youngsters will return or engage in vocational training for salaries that are a fraction of what they were used to earn. On the contrary, they will probably, if they already hold a baccalaureat diploma, try to get a University one, from the plethora of low-quality private universities or even public ones that litter the country, in the vain hope that this will procure them a well-paid and “safe”, read “state”, job!!!). In the case of migrants already holding a University degree, the loss of course is proportionally larger for the economy as well as for the state budget, as scarce resources that have been invested for high-level education and training are also drained from the country’s economy and labour market.

This brings us squarely to yet another channel of migration which is the one that relates to studying abroad. A host of talented youngsters do take this channel, by engaging in an enraged search of the market for scholarships and fellowships at Universities abroad, almost immediately after entering Romanian Universities, especially, one has to say, the public ones. Once they get a scholarship and finalize it, they usually try to find yet another one, then to go on a master’s degree and of course afterwards, if opportunity appears, to go for a doctorate scholarship. As such they hope to get via a “side-door” on the labour markets of their destination country and to remain there, if not for good at least for a pretty long period of time. True also, one has to say, that most of these rather talented youngsters, upon their return home usually find that the domestic labour market cannot offer them much or that even the environment is hostile to them, reminiscence of course of an almost inexistent “culture” of emigration in Romania.

The losses incurred by migration for employment abroad one can say, are as such pretty large for the Romanian economy and for the Romanian labour market. A large number of capable youngsters, sometimes well-qualified, with potential and in their prime working age, leave the country and actually contribute to wealth creation in other economies, usually in the most developed ones, while the domestic economy remains deprived of their potential.

But this is only one side of the story. The truth is that, as Rajiv Gandhi once pointed out “... that it is better to have a *brain drain* than simply *brain in the drain*”. With or without migration for employment abroad the Romanian economy has an ample supply of labour. Moreover it has an ample supply of over-qualified labour due to the “inflation” of university graduates resulting from the un-checked development of higher education system throughout the transition period. In its current state, the economy cannot put this supply of labour at good use it simply does not need it! As such, it has to migrate or otherwise it will create unbearable tensions on the domestic market. Of course relying on the safety valve of migration is not a long-term solution. Eventually, the migrants will come home. Romania is not a country with a booming population. Generations born in the nineties are small and the ones born in the

late sixties, which form the backbone of the workforce that currently soldiers on the domestic labour market, will retire in 25 years the most. As such, we are looking at a perspective that closely resembles the situation of Italy in the aftermath of WW-II. Migration for employment abroad from “*il bel paese*” boomed throughout the fifties and sixties but then, as the Italian economy itself became more and more integrated into the Common Market and while remittances themselves filtered throughout the economy bringing the much-desired prosperity and while the Italian economy itself started to resemble more a typically industrialized one, migrants started to return, to set up their own businesses and migration for employment abroad faded away as a phenomenon. It is more than likely that Romanian migration will follow along the same path. Remittances will slowly feed into the Romanian economy contributing to its general expansion. This expansion will be further boosted by accession into the EU and standards of living will start to gradually rise. Moreover, as large generations will start to retire gradually, the ample supply of labour that currently floods the market will start to recede and migrants will be badly wanted back home. Their knowledge and skills, though maybe not acquired via formal channels, will make a difference.

From this perspective, although migration for employment abroad may currently pose some serious problems that include, to a certain extent, distortions of the domestic labour market mechanisms, in the end it is nothing more than a “natural safety” valve of the market acting according to the simple law of supply and demand. Romanian economy has currently no demand for such an ample supply of labour but economies in Western Europe do have. As such migrants are simply plugging in the gap on the labour markets of industrialized economies.

There is no way to stop migration. This has to be understood well and especially when it comes to youngsters, it is for sure that if the domestic economy and labour market does not provide what they want, what they desire or expect, they will go across the borders. What can be done on the other hand is to attempt at regulating those flows, although even this has to be done with care as over-regulation does not amount to anything good. More access to social security schemes back home for workers abroad. More means, ways and possibilities for those working abroad in the “informal” sectors of the economies of destination country to formalize their presence there, provided that they have not engaged in criminal activities. Finally, “second chance” educational programs for those returning home after working abroad a number of years.

For the university graduates and for students of course, there remains the problem of over-qualification, taking into account the current and immediate-future needs of the Romanian economy. More care has to be taken by Universities themselves, with respect to career orientation. Of course no one has to be given the authority to infringe upon the individual’s choices but, students as the most talented of the youngsters have to be warned about the limited

absorption possibilities of the domestic market and also about the fact that a diploma from a University abroad does not give them a “blank cheque” when applying for a good job on the domestic market. Using an US-coined say “there are no guarantees out there”.

Universities are currently autonomous bodies where public authorities have little influence, sometimes even too little given the fact that many of them are still publicly financed. Nevertheless, on the whole this is good thing but also points us to our last but not least important issue, that of partnerships and stakeholders’ involvement in resolving or at least attempting a solution for the many-faceted problems of youth employment and youth socio-economic participation.

d) Roles of the labour market actors

Most of the institutions of the Romanian labour market are now, after several years of reform are now deeply penetrated by the social partners and other actors of the labour market, that take an active role in shaping their decisions at all levels.

Both the National Agency for Employment (NAE-the Romanian PES) as well as the National Adult Training Board have a tripartite nature with representatives of the trade unions and employer’s federations sitting on their boards both at national as well as regional (“judet”-county) and even at local level.

In the realm of education, more say has been given to local authorities since the mid-nineties, when local authorities have been entrusted the responsibility of education infrastructure, with the sole exception of the one that falls under the jurisdiction of Universities and as such they have taken over from the central Government in areas like renovation of schools, building of new educational facilities, equipment, maintenance and infrastructure related issues. Especially in urban areas but even in rural areas, long-singled for their poor achievements in the field, much progress has been done and this really shows around the country where shabby facades of the early nineties have been and are gradually replaced by new shinning refurbishments and where students do no longer study in obsolete laboratories with equipments from dating back to the 1970’s but in state-of-the-art facilities. Of course much has to be done but the experience until now shows clearly the benefits of decentralization in the provision of public educational services as well as of the empowerment of local communities, even of the very small and apparently hopeless ones.

The new wave of reform in education, which has been enacted this fall, will provide for even more involvement in the process for the local authorities which will now take charge of the process in itself, having a say in the organization of courses and classes, the payment of teachers according to performance criteria and also with regard to the educational offer which has to respond better to local

and regional needs. Representatives of local unions and business communities as well as parents will be involved in the process of school management and they will get a say in the appointment of the headmasters. If this process will not get bogged down into administrative details or if it will not be misused for political patronage it will really prove to be a sweeping revolution that will bring the entire education closer to the ones that it has to serve, children and youngsters and their communities and will start removing it from the hands of the vested interests of the system itself. As a part of the process and as also stated in the last JAP Progress Report, to which this paper owes a lot of its substance but to which also the author of this paper largely contributed, Local Consortia as well as Regional Consortia involving a large number of relevant stakeholders have been assembled with the main task of elaborating and subsequently revising the Regional and Local Action Plans for the Vocational and Technical Education systems. In the meantime action has been intensified on the elaboration, taking into account the newly gained autonomy of the School Action Plans for the Vocational and Technical Education System. The revised plans have been for the first time ever substantiated by an exercise of demand for skills forecasting undertaken with Phare financing by the National Labour Research Institute. The exercise, which made use of a modified version of the traditional manpower projection model, provided forecasts for seven out of Romania's eight development regions (the exempted one has been the region of Bucharest-Ilfov, the country's only region that does not qualify for Phare assistance). The forecasts have projected the demand for skills, taking into account the aggregated demand for labour as well as the expansion and replacement demand. The forecasting period has been similar to the one for which Romania's first National Development Plan as an EU member has been drafted, which means 2007-13.

As such, one would think that partnership and the involvement of stakeholders in the problems of youth employment and furthermore youth participation in education and training as well as more generally in the socio-economic life is the norm. Formally this is of course the case, but truth is that in spite of the enormous progresses made, the entire exercise is undermined, still, by its shallowness. Local authorities still lack the expertise and their own technical staff as well as experts in decentralized agencies belonging to the national administration (employment offices among others) far too vulnerable to political patronage.

Nevertheless, the weakest point of the whole chain, are social partners and their organizations. Whereas on the employer's side there is still little structuring and much bickering which prevents actually and unfortunately their development on the union's side, there is much organizational sclerosis. Unlike other segments of the society which, have undergone massive changes throughout the transition, Unions seemed to be mired in the past, actually in the early nineties. Their structures unchanged, they have fallen under the rule of

authoritarian bosses which prevent practically any change from taking place, prevent the development of genuine expertise that will enable the unions to play a constructive role in decision making while in the meantime truth is, that their “real” as opposed to “nominal” membership is dwindling. In the meantime no one has ever checked how and from where they are actually deriving their revenues and how actually they spend them. Most of them are in constant financial crisis.

Thereby, if they are truly, really to involve in the issues of youth employment they need to undergo a massive overhaul. Their remaining privileges have to be scrapped and they should be subject to the scrutiny of relevant authorities with regard to their finances. No leniency has to be shown in this respect.

It is already a known fact that most of the unions do not have an articulated strategy for the youngsters, they have failed to make inroads in the sector of the SMEs which counts for a large share of employment and especially of youth employment and they are losing constantly ground in multinationals, both due to unlawful pressure of managers that see union as a hindrance in their actions but also largely because of their own complacency. The mass of young migrants for labour is not in any way unionized.

Truth is that most of the youngsters distrust unions while the most educated and dynamic of them, shun them completely. Unions in education, a sector which is vital for the improvement of the employability of youngsters are unfortunately not a force driving the change but one that adamantly opposes it. This, of course bodes badly enough for any reform effort as such.

If youth employment issues are to find a solution and if the Lisbon targets with respect to it as well as the broader goal of building a knowledge society as a foundation for a competitive economy that will harness Romania’s inherent comparative advantages, one of them being its still young, dynamic, highly multi-lingual workforce, then one needs to build up “coalitions of the willing”. This is especially true at community level, which has been weakened by communism and not particularly favoured by a “stop and go”, lengthy transition process. These coalitions of the willing will have to pinpoint towards a change in the education system so as to make it more responsive not to the needs of teachers and administrators but to the needs of youngsters and local communities and their economies. Also, these coalitions have to force a greater degree of openness of the economy which will only benefit youngsters. It is by these coalitions that the involvement of labour market actors will gain in depth and thereby become rooted in the real needs of the economy and the society and as such able to respond to the challenges posed by the problematic of youth employment and more broadly youth participation in socio-economic life.

III – CONCLUSIONS

Romanian youngsters face a host of challenges both in the near as well as in the more distant future. Fortunately for them, some of these issues will find a solution as the country will integrate into the EU. On the other hand, EU integration in itself will offer no magic and a host of other problems will have to be still solved domestically while making the best use of the resources that will appear following EU accession in 2007.

Some of these issues, like the ones that pertain to the role and development of higher education as well as the role of the PES and their measures are for the state to solve. Public authorities will have to curb the unhealthy ballooning of public higher education and to dismantle small universities that fail to deliver. In the meantime it will have to encourage clustering around the large, efficient ones that can develop both economies of scale and scope and as such massively integrate the research component. By doing that, the public authority will greatly contribute to the diffusion of tensions that un-necessarily accumulate on the labour market, as it is flooded not by young specialists with higher education but by mere “holders of a diploma”.

On the other hand, concerning the fundamental factor at play with respect to youth employment, which is the imbalance in between the domestic demand and supply of labour and which leads to unprecedented levels of migration for employment abroad, that disproportionately affects youngsters, the public authority just has to encourage more competition, open the market as much as possible to new entrants, dismantle monopolies wherever they still exist and continue the drive towards deregulation. This will ensure un-interrupted economic growth at a high rate and thus will trigger job-generation. It is already an acknowledged fact that for Romania to grow only at a pace of 5-6% annually it is not enough. As such, gains in productivity will shed jobs more jobs than it will actually generate and employment will continue to decline, albeit maybe at a slower pace. Only growth rates in excess of 7-9% annually, will deliver the gains in productivity able to compensate for the loss in jobs in the low-value added sectors of the economy and increase further the depth of the market, which will squarely mean the emergence of new activities and thus new jobs. Although these jobs will demand a higher level of education than the ones that will disappear, care has to be taken as this rise will be only incremental and thereby education has to keep rather apace with the economy, than to march ahead of it. Otherwise, there is always the risk of too much *brain in the drain*.

Public employment services have on the other hand to admit that subsidized employment has been a failure. This policy has to be abandoned as it only encourages those that shun investment and use public money so as to

further cut their costs. Instead, a policy of incentives for proven record in human resources development has to be put in place.

Migration for employment abroad will still remain a characteristic and a problematic issue of youth employment. It will have to be handled with care. The state as such, will have to relinquish its role as an actor of the market for job-placement abroad. Instead it should focus on creating a system of migration statistics and establishing jointly with the operators in the field a set of minimum operational criteria for job-placement agencies.

More generally, one could say that a system based on the trinity “Over-regulation – taxation – subsidies” will have to be replaced and at all levels by another, more liberal, free-market system, based on yet another trinity, “De-regulation – taxation only if absolutely necessary – provision of incentives”.

It is this new trinity that will truly harness the potential of the youngsters.

Back in 1906, the author of the Monograph we have cited in the opening of our thematic article was proudly concluding his introduction with this Latin saying:

“Nil actum reputans si quid superesset agendum” which would broadly translate into English that though much has been achieved to date, nothing from what would help in achieving even more should be repulsed.

We genuinely think that although a lot has been done to promote the agenda of youth employment during the last years, if the country is not only to achieve its immediate goals but also to weather the challenges of the more distant future, which will not find a magical resolution by the simple fact of EU accession, more has to be done, both in the sphere of public services, including education, as well as in the opening of the markets and building coalitions of the willing at community level so as to enable the nation to harness its potential to the max.

This only can be done if youngsters, which are the most dynamic segment of the workforce and of the population as a whole, are drawn, on a massive scale and preferably via formal channels, into the world of work.

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