

Increasing Labor Market Participation and Reducing Structural Unemployment in Rural and Urban Areas of Europe. Case Study – Romania

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Abstract. *Member States ought to integrate the flexicurity values approved by the European Council into their labor market policies and apply them, making full use of European Social Fund sustain with a view to growing labor market participation and fighting segmentation and inactivity, gender inequality, at the same time as reducing structural unemployment. Actions to improve flexibility and security should be both balanced and mutually strengthen. Member States must consequently initiate a combination of flexible and reliable employment contracts, active labor market policies, effective lifelong learning, policies to promote labor mobility, and adequate social security systems to secure professional transitions accompanied by clear privileges and responsibilities for the unemployed to dynamically seek work.*

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JEL Codes: J08, J38, J43, J61.

REL Codes: 12G, 12I.

Introduction

Member States must step up social discussions and begin labor market segmentation with actions addressing temporary and precarious employment, underemployment and undeclared work. Professional mobility ought to be rewarded. The quality of jobs and employment environment should be addressed by combating low-wages and by ensuring satisfactory social security also for those on permanent contracts and the self-employed. Employment services must be strengthened and open to all, as well as young people and those vulnerable to unemployment with personalized services targeting those furthest away from the labor market.

So as to increase competitiveness and raise participation levels, mainly for the low skilled, and in line with economic policy guideline, Member States must review tax and benefit systems and the capacity of public services to give the necessary sustain. Member States must increase labor force participation throughout policies to encourage active ageing, gender equality and equal pay and labor market integration of young people, disabled, legal migrants and other vulnerable groups. Work-life balance policies with the condition of reasonable care and innovation in work organization must be geared to raising employment rates, mainly among youth, older workers and women, especially to retain highly skilled women in scientific and technical fields. Member States must also get rid of barriers to labor market entry for newcomers, sustain self-employment and job creation in areas including green employment and care and promote social innovation both rural and urban areas.

The EU headline target, on the basis of which Member States will set their national aims, is planning to bring by 2020 to 75% the employment rate for women and men aged 20-64 including through the better participation of youth, older workers and low skilled workers and the superior integration of legal migrants.

Developing a skilled workforce answering to labor market requirements, encouraging job quality and lifelong learning

Member States ought to encourage productivity and employability through a sufficient supply of knowledge and skills to equal current and future demand in the labor market. Education and attractive vocational training have to be complemented with real incentives for lifelong learning, second-chance opportunities, guaranteeing every adult the chance to move one step up in their qualification by targeted migration and integration policies. Member States should build up systems for recognizing acquired competencies, eliminate barriers to occupational and geographical mobility of workers, promote the acquisition of transversal competences and creativity, and center their efforts

particularly on sustaining those with low skills and rising the employability of older workers, as at the same time improving the training, abilities and experience of highly capable workers, as well as researchers.

Improving the performance of education and training systems at all stages and growing involvement in tertiary education

So as to guarantee access to quality education and training for everyone and to improve educational outcomes, Member States must invest powerfully in education and training systems particularly to raise the ability level of the EU's workforce, allowing it to meet the quickly shifting needs of contemporary labor markets. Action must cover all sectors including learning in informal and non-formal schools. Reforms must aspire to ensure the achievement of the key competencies that every individual needs for success in a knowledge-based economy, especially in terms of employability, further learning, or ICT skills. Steps ought to be taken to guarantee learning mobility of young people. Member States must improve the openness and significance of education and training systems, mainly by implementing national qualification frameworks enabling flexible learning pathways and by developing partnerships among the worlds of education/training and work. Higher education should turn out to be more open to non-traditional learners and participation in tertiary or equivalent education must be enlarged.

The EU headline target, on the basis of which Member States will set their national targets, is to decrease the dropout rate to 10%, at the same time as growing the share of the population aged 30-34 having completed tertiary or corresponding education to at least 40% in 2020.

Promoting social inclusion and fighting poverty

Member States' hard work to reduce poverty must be intended for promoting full contribution in society and economy and extending employment opportunities, making full use of the European Social Fund. Hard work must also focus on ensuring equal opportunities, counting through access to reasonable, sustainable and high quality services and public services and particularly health care.

Member States must take efficient anti-discrimination actions. Just as, to fight social exclusion, give power to the people and encourage labor market participation, social protection systems, lifelong learning and active inclusion policies must be enhanced to create opportunities at various stages of people's lives and protect them from the risk of elimination.

Social security and pension systems have to be reorganized to guarantee that they can be fully deployed to ensure sufficient income support and access to healthcare – consequently providing social cohesion – as at the same time

remaining financially sustainable. Benefit systems have centered their attention on ensuring income security during transitions and reducing poverty, especially between groups most at risk from social segregation, such as one-parent families, minorities, people with disabilities, children and young people, elderly women and men, legal migrants and the homeless. Member States have to actively support the social economy and social innovation in sustaining of the most vulnerable.

The EU headline target, on the basis of which Member States will set their national targets, is to reduce by 25% the number of Europeans living below the national poverty lines, lifting over 20 million people out of poverty.

Inclusive growth – a high-employment economy bringing economic, social and territorial cohesion

Inclusive growth equals to empowering people through high levels of employment, investing in skills, struggling with poverty and modernizing labor markets, training and social protection systems subsequently to help people expect and manage change, and build a cohesive society. It is as well necessary that the benefits of economic growth extend to all parts of the Union, counting its furthest regions, therefore increasing territorial cohesion. It is about ensuring access and opportunities for all throughout the lifecycle. Europe needs to make full use of its labor potential to face up to an ageing population and rising global competition. Policies to encourage gender equality will be required to boost labor force participation consequently adding to growth and social cohesion.

Europe should act in following principal fields:

- Employment: Due to demographic change, our workforce is about to shrink. Only two-thirds of our working age population is currently employed, compared to over 70% in the US and Japan. The employment rate of women and older workers are particularly low. Young people have been severely hit by the crisis, with an unemployment rate over 21%. There is a strong risk that people away or poorly attached to the world of work lose ground from the labor market.

- Skills: About 80 million people have low or basic skills, but lifelong learning benefits mostly the more educated. By 2020, 16 million more jobs will require high qualifications, while the demand for low skills will drop by 12 million jobs. Achieving longer working lives will also require the possibility to acquire and develop new skills throughout the lifetime.

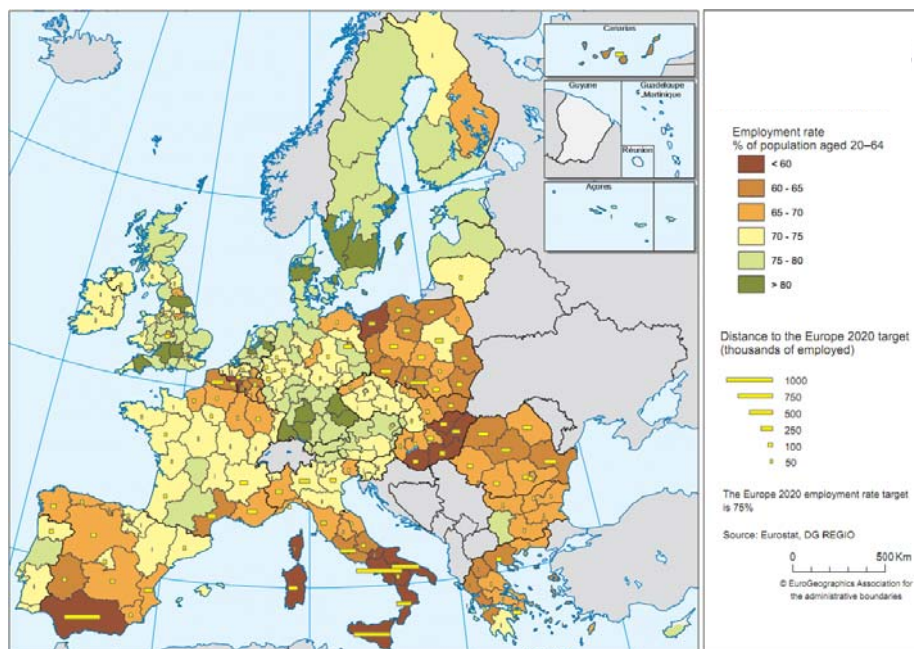
Fighting poverty: 80 million people were at risk of poverty prior to the crisis. 19 million of them are children. 8 per cent of people in work do not earn enough to make it above the poverty threshold. Unemployed people are particularly exposed.

Action under this priority will require modernizing, strengthening our employment education and training policies and social protection systems by

increasing labor participation and reducing structural unemployment, as well as raising corporate social responsibility among the business community. Access to childcare facilities and care for other dependents will be important in this respect. Implementing flexicurity principles and enabling people to acquire new skills to adapt to new conditions and potential career shifts will be key. A major effort will be needed to combat poverty and social exclusion and reduce health inequalities to ensure that everybody can benefit from growth. Equally important will be our ability to meet the challenge of promoting a healthy and active ageing population to allow for social cohesion and higher productivity.

Unemployment is concentrated in rural and brown-field industrial regions

But there is no single rule of the relation between education level and employment. There are areas where there is substantial white-collar unemployment, while there is a shortage of manual workers. The composition of unemployment should be considered in every individual case.



Source: www.eurostat.com.

Employment rate, 20-64, in 2008 and distance to Europe 2020 target

Youth out-migration is often seen as a challenge to rural sustainability. But it may be in the best interests of young people to move away.

Young people's perception of their rural area depends on its geography, social setting, infrastructure, services, accessibility, the local labor market, and the role of family, friends and social networks.

In rural Europe, 11.9% of population is aged 15-24:

- Highest %s in EE, LT, LV, PL, IE, CZ, RO and SK;
- Lowest %s in FR, IT, DE, DK, NL.

The youth transition is a core concept. The world into which young people grow has changed, offering less stability and support from traditional institutions (church and family) and engagement instead with labor markets and welfare state:

- "Individualization": each person making "correct" choices;
- Extended transitions; fractured transitions;
- Relevance to New Member States and post-soviet transition;
- Policies and Young People in Rural Development (PaYPiRD) study highlighted uncertainties facing YP in rural Europe and their lack of support and guidance;
- Greater flexibility in policy responses is required.

The youth shift into farming

- European Parliament's Committee on Agriculture and Rural Development has formerly looked in detail at this matter, noting the low % of young farmers, and recommending aid for young farmers among the necessary measures of Rural Development Regulation;
- Progression is more probable on larger, more viable farms or where pluri-activity offers a secure future;
- Parents on family farms tell of a throbbing dilemma: they wish to hand on the farm to their children, but are concerned that this condemns their children to a life of poverty and struggle. "Educating out"?;
- Plans to sustain and assist new entrants to farming may be of crucial value.

Case study – Romania

After 2005, we can notice that the urban unemployment reduces and starting with the year 2009 it can be observed a boost due to the economic crisis and its impact on the Romanian economy.

Unemployment rate in urban and rural Romania (gender and area)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Gender												
M	6.5	7.4	7.7	7.1	8.9	7.5	7.7	7.7	8.2	7.2	6.7	7.7
F	6.1	6.2	6.4	5.9	7.7	6.4	6.9	6.4	6.1	5.4	4.7	5.8
Area												
Urban	9.2	10.3	11.2	10.4	11.2	9.5	9.5	8.8	8.6	7.7	6.8	8.1
Rural	3.5	3.5	3.1	2.8	5.4	4.3	6.2	5.2	5.6	4.9	4.6	5.4

Source: Bulletins of the National Institute of Statistics, various issues, period 1998-2009.

Inter-regional factor mobility is recognized to be an important route to encourage economic growth and efficiency gains. EU enlargement with Romania and Bulgaria forces both countries to develop their regional policies and to stimulate their economic development. One of the central issues of economic development is an efficient interregional migration that contributes to the decrease of regional income disparities by reallocation of labor from low productivity to high productivity regions. It can be achieved by improving the employment opportunities, real wages and economic and social circumstances of diverse regions. At the moment, it seems that the efficiency and welfare (as measured by output) gains from inter-regional labor mobility in Romania have been quite restricted.

Unemployment effects are missing and that wage effects are principally the influence of low wages in donor regions. To reduce these counter-intuitive results, I think that the inter-regional migration decisions are in part the results of the de-collectivization of Romanian agriculture. It has provided rural economic opportunities, while high rates of urban unemployment have reduced urban economic opportunities. In result, it was some major return migration from urban to rural areas, which may have incidentally implicated interregional relocation.

This means that, while controlling for differences in each direction of migration and each year, the depicted pattern of migration becomes characterized by pull effect rather than push effect, based on rational income decisions. This repercussion is very important, as it stresses the fact that as the massive reform of the Romanian economy gets under way, the effects of many other socio-economic factors such as housing, health amenities and human capital turn out to be significant areas of future inter-regional migration research.

More recent and relevant data of internal migration in Romania would be a good way forward to model an extension of the standard economic models that include significant socio-economic conditions which could influence migration decisions.

Conclusions and recommendations

- Encouragement of the role of youth in rural areas requires more attention and funding to territorial RD within the RDR.
- Young people entering farming will also experience individualization, so will need leadership and support, perhaps through RDR and a broadened New Entrants Scheme.
- Partnerships have become an essential factor in RD, and much more could be done to engage young people. CEC should fund research to

learn lessons of LEADER and fund the piloting of ground-breaking ways of involving rural youth.

- Evaluations of youth policies must reveal their impact on youth unemployment in rural areas.
- In preparing young people for uncertain non-linear youth transitions, flexible and creative support structures are needed which can address each young person's individual and various needs. This should include employment, welfare, education, training, careers and guidance services.
- Cohesion policy is being refocused on the NMS, but there is a predisposition to direct funds to cities as areas of greatest potential. This risks neglecting the rural areas where living standards are lower. Such strategies will encourage the out-migration of rural youth.
- The challenge is to build up a coordinated policy in relation to young people which encourages balanced territorial development of rural and urban areas of the NMS.
- Centralization of services deteriorates issues of remoteness, accessibility and migration for young people in rural EU.

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