

**DEVELOPING BUSINESS DIAGNOSTICS - A POSSIBLE SOLUTION
FOR IMPROVING ACCESS TO THE LABOR MARKET FOR
ECONOMIST STUDENTS FROM THE VULNERABLE GROUPS**

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Abstract:

The objective of this paper is to propose an intervention measure to promote the social inclusion of young economist Romanian students from vulnerable groups by increasing their employment opportunities. We chose the economic specializations from an extremely wide range of specialization groups, since the economics profession is, looking from numerical perspective, the most common profession of graduates (in 2011). The proposed intervention involves the development of business diagnostics as such an activity involves a complex baggage of knowledge, its holder benefiting, usually, of competitive advantages in the labor market. The combination of an institution of education and scientific research and companies is likely to guarantee quality results and an enhanced sustainability.

Keywords: *youth unemployment, economist student, vulnerable group, social exclusion*

JEL classification: *A20*

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1. Introduction - unemployment among young people in the regional, national and european context

Under Romanian legislation (Law 292 of 2011, art. 6 letter p) the concept of vulnerable group "means individuals or families who are at risk of losing their ability to meet their daily living needs due to situations like sickness, disability, poverty, drug or alcohol addiction or other circumstances that lead to economic and social vulnerability ". By incapacity we mean "the total or partial reduction of the possibility to perform a motor, cognition activity or a behavior" (Law 292 of 2011, art. 6 letter q). The vulnerable groups are delimited in comparison with most people, having more difficult living conditions (R. Popescu, 2011).

Looking through the labor market inclusion, the youth ensemble represents a group found at a risk situation at the European Union level (EU), the EU is currently facing particular difficulties in terms of employment. The rate of youth unemployment in the EU has reached unprecedented levels following the economic crisis. In 2014 it was 21.6% (according to the Eurostat statistics), more than two times higher than the unemployment rate in the adults side. A number of 4.7 million young Europeans with age between 15 and 24 years were unemployed in 2014 (<http://www.consilium.europa.eu/ro/policies/youth-employment/>).

Consequently, the EU and its Member States have agreed on a comprehensive approach to combat youth unemployment. At the EU level there are, currently, taking place a series of concrete measures to help young Europeans return to work or in education (European Council, 2015, Factsheet on Youth Employment):

- *Youth Guarantee*: a guarantee system of some measures whereby every young person under the age of 25 years receive a quality employment offer, an offer to continue education, of entering into apprenticeship or completing an internship within four months after leaving the education system or after unemployment.

- *The employment initiative among the youth*: EU funding to support youths from the regions where the youth unemployment rates are above 25%.

- *Quality internships and apprenticeships*: designed to improve the transition from school to workplace.

- *Labor mobility*: being easier to find a job, an internship or an apprenticeship among young Europeans in another EU country.

In Romania, the youth employment situation is close to that of the EU as a whole, the unemployment rate (calculated according to International Labor Office - ILO methodology) among young people (15-24 years) was 23.2% in the third quarter of the year 2014, increasing and reaching the level of 24.1% in the fourth quarter of 2014, more than three times higher than the general unemployment rate (ILO), which reached the value of 6.7%. In the urban areas, the rate of youth unemployment was even higher than the national average, reaching 32.7% in the fourth quarter of 2014, while the value calculated for the rural areas is 18.5%. In the Central Region the youth employment situation is the worst in the country, the unemployment rate (calculated according to ILO methodology) among young people (15-24 years) is 33% in the fourth quarter of 2014, far above the national average and over five times higher than the general unemployment rate (ILO). In this region, in the urban environment, the youth unemployment rate was 46.7%, while that calculated for the rural areas is 19% (National Institute of Statistics, Press communicate number 309 of 20/12/2013 and Tempo Online).

Analyzing the data series communicated by the National Institute of Statistics regarding "the registered unemployed beneficiaries of money rights, by age, sex and level of training" for 2013, we find that the young university graduates (under 25 years) occupy, in terms of unemployment among them, the second position out of six age groups, with 21.78% from the total, the situation not being at all encouraging.

In the national and international context described, finding a job for any young graduate of an education institution is a goal extremely difficult to achieve (all students being included under the Framework Document for the Implementation of POSDRU 2007-2013 target group of projects designed to improve access and participation of vulnerable groups on the labor market for the Central Region), especially when the vulnerability caused by the person's age (by young person we mean the person aged between 15 and 24 years) is multiplied and the membership of that young person to other vulnerable groups .

The problem of high unemployment among youth population is still in awareness of the Human Capital Operational Program 2014-2020 which allocates considerable funds to boost the employability of young people, as follows:

- For the Priority Axis 1 - Youth Employment Initiative allocate 230.693.510 Euro.

- For Priority Axis 2 - Improving the situation of young people from the Neets category allocate 408.572.233 Euros for the less developed regions and 18.701.987 Euros for the Bucharest-Ilfov region.

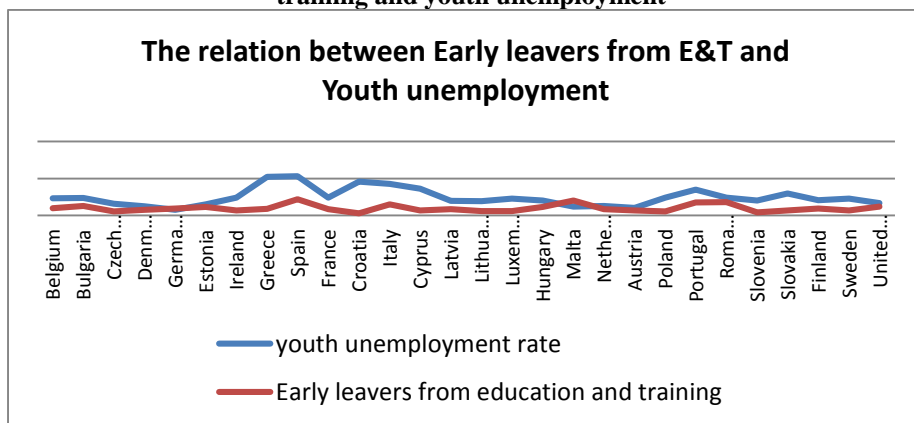
2. The importance of education in enhancing the employability in the young population

Youth unemployment has shown that it is still a big social problem with economic implications that are in the European and national attention. Identifying the causes of this phenomenon represents a necessary first step in its reduction by adopting measures specific to each case.

The causes of youth unemployment are both of objective nature (level of education, economic cyclicity, geographical factors) and of subjective nature (cultural and social factors).

From the analysis of the correlation between Early leavers from education and training and Youth unemployment rates (see figure No. 1) we can see that there is a positive correlation, of low to medium intensity ($r = 0.2$), which means that dropping school early leads to increased youth unemployment, but this is not the only cause of this phenomenon.

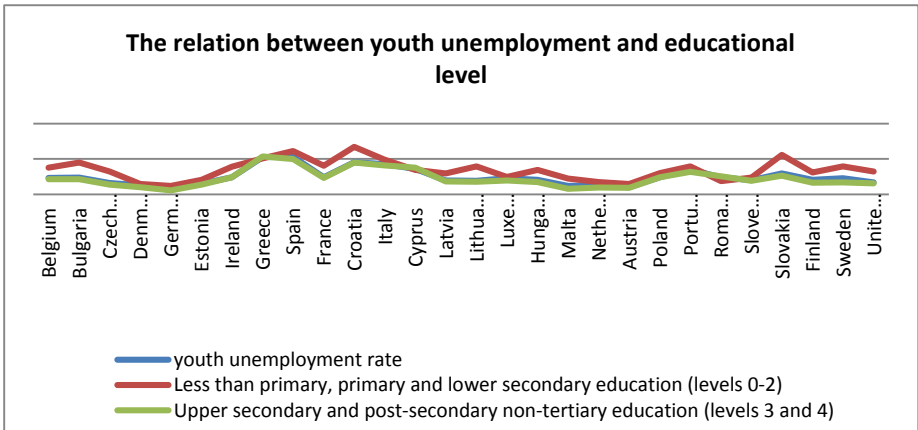
Figure no. 1: The relation between Early leavers from education and training and youth unemployment



Source: authors computation based on Eurostat statistical data

In this respect, measures must be adopted that would reduce early school drop-out and encourage young people to continue their studies in order to raise their skill levels and thus their attractiveness on the labor market. From the graph below we can see that youth unemployment is influenced by their level of education, meaning that generally unemployment is higher for levels 0-2 degree graduates (Less than primary, primary and lower secondary education) and more reduced among graduates of level 3-4 (Upper secondary and post-secondary non-tertiary education). In the European Union unemployment among graduates of levels 0-2 is 30.3 %, and unemployment among graduates of levels 3-4 is 19.9 %. The exceptions from this observation are: Greece, Cyprus and Romania. In these three countries the unemployment rate is higher among the graduates degree of levels 3-4 which shows a weak correlation between the needs of the labor market and the educational offer.

Figure no.2: The relation between Youth unemployment and Educational level



Source: authors computation based on Eurostat statistical data

3. Increasing employability of the economics students from vulnerable groups through business diagnosis

In this paper, we propose a practical method in order to increase the chances of inclusion of the young economist students (through the phrase "economist student" understanding student or master student that studies at a specialization in economics) which are vulnerable from other perspectives than that of age (who are especially at risk of poverty or social exclusion, but not only).

According to art. 6 lit. h of Law 292/2011 "poverty is the condition of a person / the people / families / groups / communities manifested through the lack of resources strictly necessary for the purchase of goods and services considered to ensure the minimum living level in a certain period of time, based on the socio-economic conditions of the society "and the poverty threshold represents" quantifying the resources" in question in a certain form.

Poverty is very widespread in Romania, it being currently almost chronic nationwide.

A project developed in May 2013 by *the Ministry of European Funds, the Results of the Documentary Analysis - The Social Inclusion and Combating Poverty Sector*, states that the manifestation form of poverty in our country has remained almost unchanged over time, the tendency to differentiate between a few rich households and the majority of population living close to the poverty being continually evident. Families with three or more children, single parent families, children and young people with a low education level, Roma population, housewives, unemployed and self-employed persons or the persons working with no contract have been part continuously between the population groups exposed at an increased risk of poverty. The percentage of single-parent families and those with dependent children is higher in Romania than in the EU, which increases the risk of poverty.

The project mentioned before explicitly states that vulnerable groups from the Romanian society that are in economic and social difficulty and / or at risk of social exclusion including children and youth from poor families and single parent families. The same approach is maintained in the *Official Proposal of the Partnership Agreement 2014-2020, submitted to the European Commission in 2014*, the *Ministry of European Funds* continuing to include those mentioned before in the category of vulnerable groups, among others.

Thus, it is tried to attempt keeping the direction set by the 2007-2013 National Development Plan to improve access to and participation in the labor market for these vulnerable groups.

According to Eurostat, 40.3% of the Romanian population was in 2011, at risk of poverty or social exclusion, the value of this indicator exceeds the European average of 24.1%.

In the study entitled *Analysis of statistical data on the social inclusion indicators for 2011* prepared by the Ministry of Labor, Family and Social Protection and for the Elderly (MMFPSPV) states that the equivalent relative poverty line per adult, calculated in prices of January 2011 is of 530,40 lei, while the relative poverty rate was of 17.9%. The relative poverty line is 60% of the median income per equivalent adult, and the relative poverty rate represents the share of persons from households with an available income per equivalent adult lower than the relative poverty in the total population. And regarding the relative poverty rate in Romania, it was at a level above the European average (16.9% in 2011).

Since the threshold calculated above refers to a moment which had happened more than three years ago and there are no official data on the latest relative poverty threshold, using the data on inflation for 2011-2013, we can estimate a value corresponding for January 2014 of 602.87 lei.

The same study of MMFPSPV indicates that in 2011 the number of people living below the relative poverty threshold was over 3.8 million. Considering the relative poverty rate by age, children and young people have the higher poverty rate of all age groups.

Sibiu County is targeted by this study with priority because it is part of the Central Region of Romania and in this region the employment situation of young people is critical. Unemployment rate (calculated according to ILO methodology) among young people (15-24 years) was 36.9% in the third quarter of 2013, more than 50% higher than the national indicator value and more than five times higher than the general unemployment rate (ILO). In this region, in the urban environment, the youth unemployment rate was 43.6%, while the one calculated for rural areas reached the value of 29.9% (*The National Institute of Statistics, Press number 309 from 20.12.2013 and Online Tempo*).

In the context described there is an obviously need for urgent implementation of measures that would reduce existing disparities between the country's regions in respect of youth unemployment in general.

The situation described above affects all categories of young people in the Central Region of Romania, making them vulnerable group in terms of their employability and especially those who, outside of the vulnerability due to age are also affected by their belonging to other vulnerable groups such as people at risk of poverty or social exclusion, persons with disabilities, Roma people, people who have been victims of domestic violence, etc. Young people cumulating membership to their age category with other vulnerabilities are at a huge danger of exclusion. In the Centre Region, their risk of exclusion, expressed in relative values exceeds the figure of 36.9%, which characterizes the general situation of the age group to which they belong.

If the implementation of measures in order to reduce disparities in unemployment among young people is urgently needed, the actions directed towards increasing inclusion of young people exposed to other vulnerabilities should be held immediately in this direction and could generate, through the externalities released, devastating effects on society as a whole.

The objective of this paper is to propose an intervention measure to promote the social inclusion of young economist students from vulnerable groups by increasing their employment opportunities, addressing even to those youngsters who accumulate membership to their age category with other vulnerabilities. We chose the economics from an extremely wide range of specialization groups, since the economics profession is, looking from numerical perspective, the most common profession of graduates (in 2011). According to the calculations we have made based on series of data provided by the National Institute of Statistics for 2011, which is the last year for which data are available, graduates of economic studies accounted for 25.18% of the total superior studies. Thus, appealing to economic students from the vulnerable groups we aim for the most important - and from this perspective, the most affected (potential) - category of young students.

The proposed intervention involves the development of business diagnostics as such an activity involves a complex baggage of knowledge, its holder benefiting, usually, of competitive advantages in the labor market. The partnership between the superior education institution and the companies analyzed by the students in order to develop business diagnostics which will help enrich the students' practical knowledge, will create the link between the student - future graduate and possible future employer company, thus increasing the chances of employability of students. The combination of an institution of education and scientific research and companies is likely to

guarantee quality results and an enhanced sustainability. The proposed approach has a holistic character, with the Kantian approach as philosophical foundation of reality. The methodology used to achieve the objectives proposed will be one of inductive origin, the inductive approaches being, in our view, the only possible way of social knowledge / analysis, which, unlike the natural, does not enjoy invariant initial conditions. The presence of the subject in the study object determines the permanent variation of the initial conditions making the deductive approaches impossible (as are defined in terms of formal logic).

The starting point is represented by the shaping of the characteristics of the issues addressed, namely the identification of the characteristics of the ideal employee. In this regard, it may proceed with the selective research as method of investigation, given the large number of elements of the total studied population (companies from Sibiu county). Customized questionnaires used as tools in the studies made will be developed by specialists in order to identify the characteristics of the ideal employee, looking from the perspective of the employer, but taking into consideration the possibility of using the results obtained in the direction of making compatible the skills of the young economists from the vulnerable groups with the employers' demands. Subsequently to outlining the profile of the ideal employee, the actions undertaken will seek transforming the economics students from the vulnerable groups so that they better fit the profile outlined. Developing the information sessions / training programs, their proper organization, collecting data by the students, elaborating diagnosis reports, checking and adjusting are actions that are aimed at increasing adaptability of young students from vulnerable groups at the outlined profile.

In parallel to the actions listed the awareness degree of the employers about the skills, but also about the specific needs of the economic students from the vulnerable groups will be enhanced, being required their written recommendations and suggestions for improving the results obtained. The requested feedback and opinions of the company representatives, the hearing of the findings of diagnostic reports and making available the data necessary for their preparation are part of the actions mentioned before.

4. Conclusions

The intervention proposed in this article is complex with a strong integrated character. By implementing this recommendation it will be enhanced the collaboration between the representatives of a network of four groups (the business environment, the civil society, the academic environment and the vulnerable groups), the obtained results generating benefits for all groups involved. The needs of the business environment regarding the training of economic students from vulnerable groups will be identified and these needs will be satisfied by developing professional skills in order to integrate successfully into the labor market, academia, of representatives of civil society acting as a bridge between the representatives of labor demand employment and the vulnerable groups.

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