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# STRUCTURAL FUNDS AND ROMANIAN NEETS 2007-2013

Empirical study

**Keywords**
NEET
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**JEL Classification**
J01, J11, J21, M54, O51

## Abstract

*If the entire class of young NEETs would be integrated into work, Romania's GDP would increase by 2%. Faulty implementation of SOP HRD 2007-2013 failed to combat the economic crisis.*

*Thus, at the end of 2013 Romania had over 400,000 young people NEET. In addition to short-term effect of inactivation of the potential workforce, due to aging demographics, the effects of the lack of activity of this category will create a series of negative problems in the social contributions sector.*

*Romania is offered another chance by the Youth Guarantee Scheme and by the Human Capital Operational Programme 2014-2020, but the country must prove having learned from previous experience. The 2007-2013 period shown that good planning in terms of indicators far not guarantee success. Effective implementation of projects and supporting project beneficiaries will sustainable reduce the number of NEETs.*

**Young people not in employment, education or training**

The number of young people not in employment, education and training is one of the highly relevant indicators to assess the quality and effectiveness of education, training and employment systems. NEETs are a very heterogeneous population, consisting of five main subgroups, as shown in Figure 1. The largest subgroup tends to be those who are conventionally unemployed and all of its subgroups have in common the fact that they are not accumulating human capital through formal channels. ( European Foundation for the Improvement of Living and Working Conditions, 2012)

The majority of young people leaving early the education and training system come to be employed in low-paid jobs for limited period. Returning to school or enrolling in professional training programs should become the main alternative for these young people, CEDEFOP estimating that the demand for low skilled labour will continue to decline over the period 2010-2020.

**Structural funds in Romania dealing with the NEETs problem**

The only dedicated programmes aimed to increase the number of young people (15-24) in education, employment or training were the Major Intervention Domains (MID) 2.1 and 5.1, part of the Sectoral Operational Programme Human Resources Development 2007-2013.

MID 2.1 (Transition from school to active life) was aimed to facilitate the insertion of graduates on the labour market. The education and training provided in education institutions should have beenaccompanied by in- company training, apprenticeships etc. The guiding and counselling activities complemented the above mentioned actions and facilitated the transition from school to workplace and the change of status of direct beneficiaries from student to future employee.

MID 5.1 (Developing and implementing active employment measures) aimed to make the youths and long- term unemployed flexiblein order to meet the changing needs on the labour market (Ministry of Labour, Familiy and Equal Opportunities, 2007).

The indicators relevant for NEETs are detailed in Table 1.

**Economic cost of NEETs**

The economic cost of not integrating NEETs in EU is estimated at over €150 billion, or 1.2% of GDP, in 2011 figures. Some countries, such as Bulgaria, Cyprus, Greece, Hungary, Ireland, Italy, Latvia and Poland are paying 2% or more of their GDP, as shown in Figure 2.

According to Eurofound, the economic costs of NEETs consist in two types of costs: (direct) public finance costs and (indirect) resource costs. The public finance cost is the difference between the public finance income received by NEETs (unemployment benefit, disability benefits, sicknes benefits etc.) and the public finance granted to non-NEETs. The resource cost is the difference between the resource income generated by NEETs and non-NEETs (foregone earnings, unpaid taxes, unpaid social contributions etc.). Resource costs are not directly measurable as they are purely hypothetical, but they can nevertheless be estimated when comparing the income situation of a NEET to that of a non-NEET. ( European Foundation for the Improvement of Living and Working Conditions, 2012)

**Correlation between structural funds and the NEETs in Romania**

One of the main opportunities that Romania had in the 2007-2013 timeframe consisted in the structural funds. SOP HRD supported the decrease of NEETs number in Romania, as shown in Chapter "Structural funds in Romania dealing with the NEETs problem".

The MDI investment budgets are detailed in Table 2. According to the planification of SOP HRD, the investment made by Romania in order to decrease the number of NEETs were meant to be amortized in 2,02 years. Thus, the total investment for one less NEET were calculated to 4036 EUR (dividing the total invested amount from Table 2 to 101500 – the total planned number of NEETs "leavers").

According to Table 3, the total number of Romanian NEETs should have decreased by 100.090 persons by the end of 2013. However, the number of NEETs decreased only by 23.152, as shown in Table 4. This could be correlated with the fact that overall, in 2013, Romania had 195.891 more NEETs than in 2007 (as shown in Table 6). Of course, a major impact was caused by the economic crysis, but the results of SOP HRD intervention were much weaker than expected, having an efficacity of just 23,13%.

**Conclusions**

According to Eurostat, Romania loses 1998 EUR per year with each NEET (calculations for 2011). Based on this indicator, we are able to calculate the economical influence of NEETs variation, from 2007 to 2013.

The management of SOP HRD was inefficient, from the perspective of MDI 2.1 and 5.1. In a period when the economic crisis hardly impacted youngsters, Romania should be proactive to overcome its targets established in this sector. However, Romania failed to reach its own indicators set for the two MDIs, which is one of the reasons why inactivity rate among young people has increased significantly. Should country-level targets had been achieved in terms of NEETs, their number would have been 76,938 units lower, which

would have represented an increase in the GDP of 153.722.124 EUR yearly.

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**Biographical sketch**

Sergiu Vlad Petcu is a 2nd year Ph.D. student in the field of Management, with a professional background mainly in European funded projects aimed at enhancing students' employability. This justifies his interest in the field of structural funds and persons not employed, in education or training.
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**Tables**

Table 1:

*Expected results of SPO HRD relevant to NEET (Ministry of Labour, Familiy and Equal Opportunities, 2007)*

| Expected results relevant to NEET | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|---|---|
| MID 2.1 - Persons assisted in the transition from school to working life – of which 65% were planned to leave te NEETs group | | 15000 | 35000 | 65500 | 91000 | 95000 | 148600 | 150000 | 150000 |
| 5.1 - Long-term unemployed young participants in integrated programs – of which 25% were meant to get employed after participating to the programme | | 1700 | 3500 | 5700 | 8300 | 11100 | 14000 | 16000 | 16000 |

Table 2:

*Invested funds aimed to reduce the number of NEETs (Ministry of Labour, Familiy and Equal Opportunities, 2007)*

| Invested funds aimed to reduce the number of NEETs | | | |
|---|---|---|---|
| MID | Total amount dedicated to the MID (EUR) | Percentage of the sum dedicated especially to NEETs (%) | Total amount granted (EUR) |
| 2.1 | 337597630 | 100 | 337597630 |
| 5.1 | 298461225 | 24 | 72018694 |
| TOTAL | | | **409616324** |

Table 3:

*Yearly expected results – number of NEETs excluded from the NEET category (Ministry of Labour, Familiy and Equal Opportunities, 2007)*

| Yearly expected results –number of NEETs excluded from the NEET category by MDI | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|
| MDI 2.1 | 0 | 9750 | 22750 | 42575 | 59150 | 61750 | 96590 |
| MDI 5.1 | 0 | 425 | 875 | 1425 | 2075 | 2775 | 3500 |
| TOTAL variation of NEET | 0 | 10175 | 23625 | 44000 | 61225 | 64525 | 100090 |

Table 4:

*Yearly results – less NEETs, as a result of SOP HRD (Ministerul Fondurilor Europene, 2014)*

| Yearly results – less NEETs, as a result of SOP HRD. | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|
| MDI 2.1 | | | | 832 | 6216 | 12745 | 19652 |
| MDI 5.1 | 0 | 425 | 875 | 1425 | 2075 | 2775 | 3500 |
| TOTAL variation of NEET | 0 | -425 | -875 | -2257 | -8291 | -15520 | -23152 |

Table 5:
*Variation of NEETs in Romania (Eurostat, 2015)*

| Yearly number of NEETs in Romania | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|
| Number | 326705 | 284946 | 341443 | 402854 | 427418 | 412680 | 422505 |
| Variation of NEETs from the previous year | - | -41759 | 14739 | 76149 | 100714 | 85975 | 95801 |

Table 6:
*Deviation from the planned number of NEETs (author's calculations)*

| Year | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|
| Deviation from the plan according to the faulty implementation of SOP HRD | | 9750 | 22750 | 41743 | 52934 | 49005 | 76938 |
| Total deviation from the plan (planned number of NEETs - actual number of NEETs) | 0 | -31584 | 38364 | 120149 | 161939 | 150500 | 195891 |

Table 7:
*Economical influence of NEETs variation*

| Economical influence of NEET variation (EUR) | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|
| Planned | 20329650 | 47202750 | 87912000 | 122327550 | 128920950 | 199979820 |
| Actual results | 83434999 | -29447647 | -152146176 | -201225587 | -171777940 | -191409705 |
| Net difference (planned-results) | 63105349 | -76650397 | -240058176 | -323553137 | -300698890 | -391389525 |
| GDP | 139762 mil. | 118269 mil. | 124396 mil. | 131515 mil. | 131676 mil. | 142245 mil. |
| Percentage of GDP | 0,05 | -0,06 | -0,19 | -0,25 | -0,23 | -0,28 |
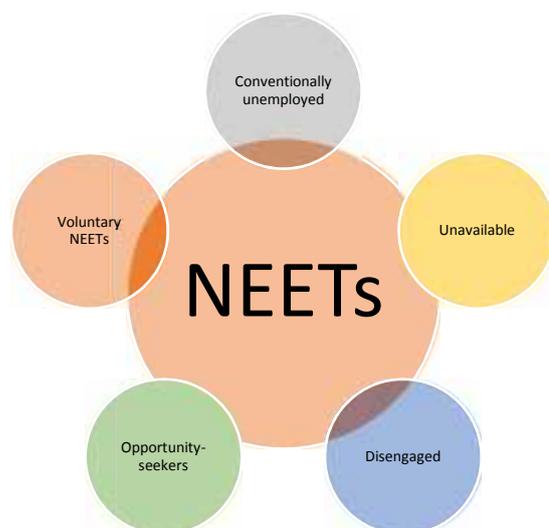
Figures
*Figure 1:* The heterogeneity of the NEET population ( European Foundation for the Improvement of Living and
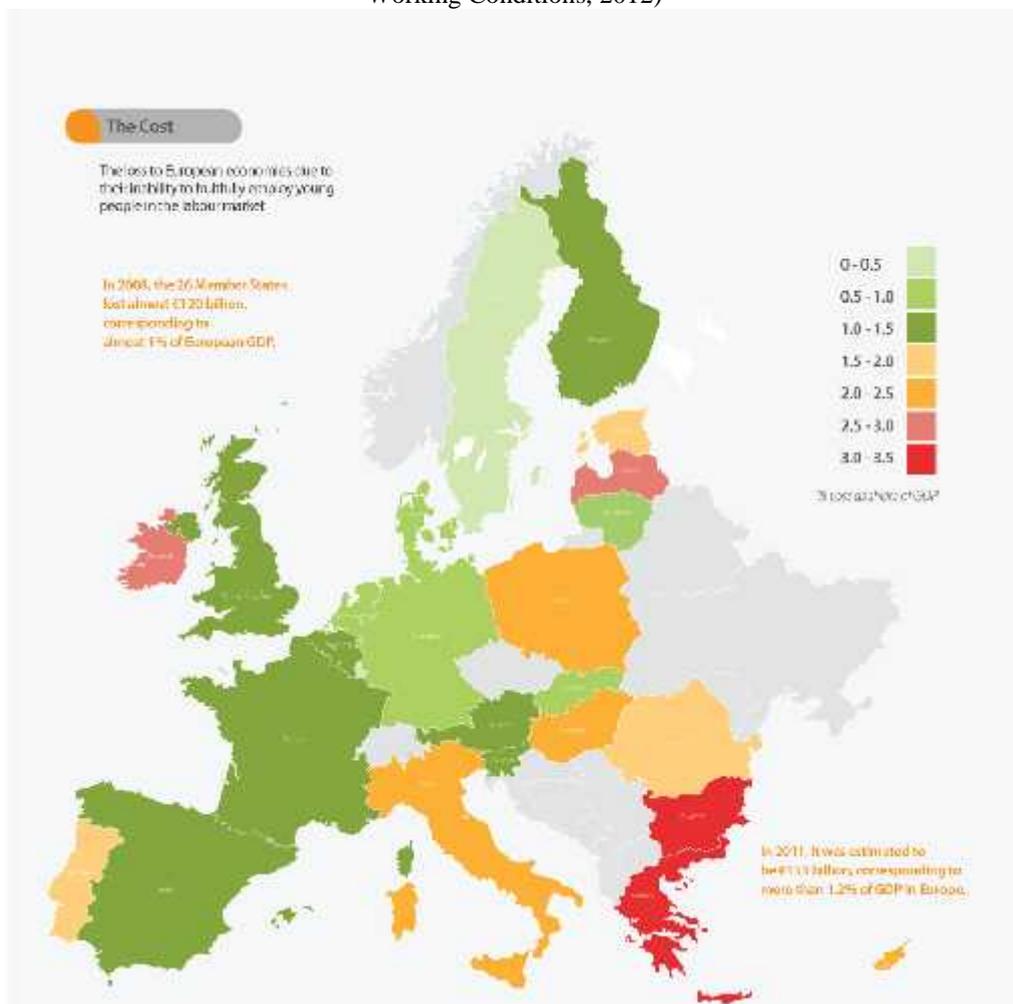Working Conditions, 2012)



*Figure 2:* The cost of NEETs to society in Europe (Eurofound, 2015)